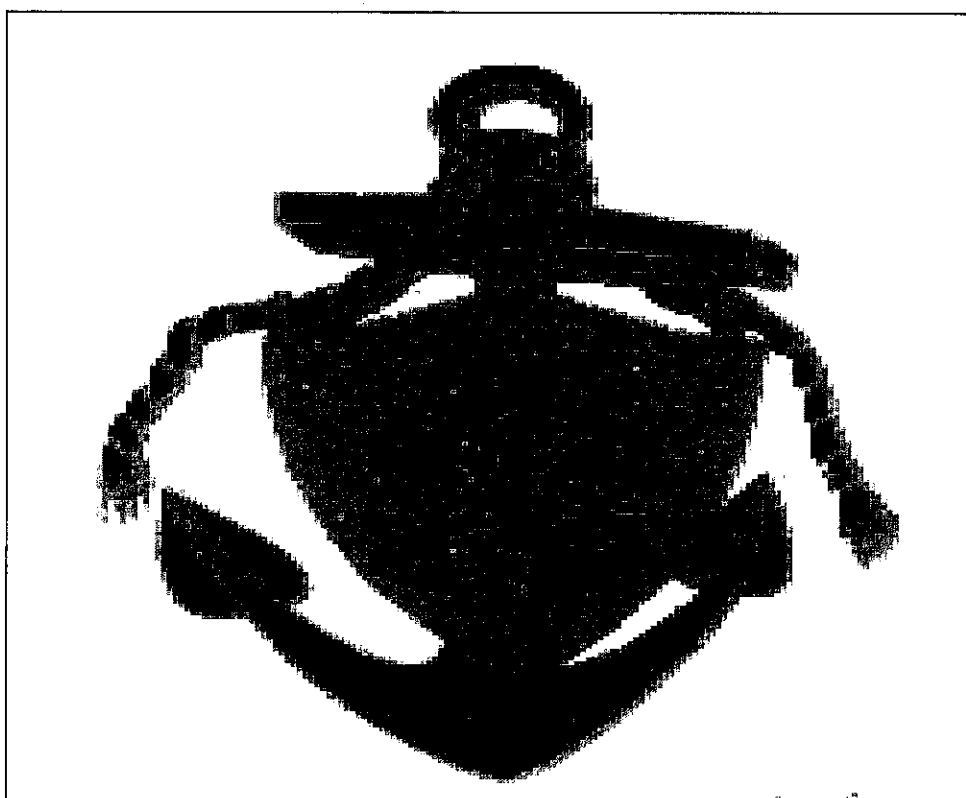


# **SWELLENDAM**

## **MUNICIPALITY**



**UNAUDITED**

### **FINANCIAL STATEMENTS**

**30 JUNE 2018**

# SWELLENDAM LOCAL MUNICIPALITY

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# **SWELLENDAM LOCAL MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

### **GENERAL INFORMATION**

#### **NATURE OF BUSINESS**

Swellendam is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### **COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### **JURISDICTION**

The Swellendam Municipality includes the following areas:

*Swellendam*

*Barrydale*

*Suurbraak*

*Buffeljagrsivier*

*Malagas*

*Infanta*

#### **MAYOR**

*Mr N.G. Myburgh*

#### **MAYORAL COMMITTEE**

*Mr N.G. Myburgh - Executive Mayor*

*Mr A.M Pokwas Executive Deputy Mayor*

*Ms E.J Lambrecht*

*Mr.H.F du Rand*

#### **MUNICIPAL MANAGER**

*Mr A.M. Groenewald*

#### **CHIEF FINANCIAL OFFICER**

*Mr H. Schlebusch*

#### **REGISTERED OFFICE**

*49 Voortrek Street*

*SWELLENDAM*

*6740*

#### **AUDITORS**

Auditor General South Africa

Private Bag X1,

Chempet, 7442

#### **PRINCIPLE BANKERS**

ABSA BANK ,67 Voortrek Street , Swellendam

#### **ATTORNEYS**

*Powell Kelly Veldman, P.O. Box 18, Swellendam*

#### **RELEVANT LEGISLATION**

# SWELLENDAM LOCAL MUNICIPALITY

## MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD	COUNCILLOR
Ward 1	Cllr J. Lambrecht
Ward 2	Cllr J.C Nortje
Ward 3	Cllr M.G.du Plessis
Ward 4	Cllr H.F.du Rand
Ward 5	Cllr G.Libazi
Ward 6	Cllr J.A. Matthysen
Proportional	Cllr N.G Myburgh
Proportional	Cllr A.M. Pokwas
Proportional	Cllr B.O.Sonqwenqwe
Proportional	Cllr J.C.M.J Koch
Proportional	Cllr M.T.Swart

### APPROVAL OF FINANCIAL STATEMENTS

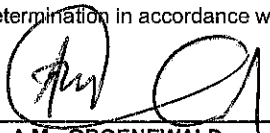
I am responsible for the preparation of the annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 94 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr A.M. GROENEWALD  
MUNICIPAL MANAGER

Date: 31 August 2018

*Mr A.M. Groenewald*

**SWELLENDAM LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

	Notes	2018 R (Actual)	2017 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>270 689 397</b>	<b>260 614 049</b>
Housing Development Fund	2	2 109 031	3 669 068
Capital Replacement Reserve	2	10 000 000	10 000 000
Accumulated Surplus/(Deficit)		258 580 366	246 944 981
<b>Non-Current Liabilities</b>		<b>85 862 911</b>	<b>83 931 771</b>
Long-term Borrowing	3	31 939 491	33 079 562
Employee Benefits	4	34 059 082	32 333 946
Non-Current Provisions	5	19 864 338	18 518 263
<b>Current Liabilities</b>		<b>48 993 468</b>	<b>54 018 887</b>
Consumer Deposits	6	2 244 804	2 001 259
Current Employee benefits	7	9 690 105	8 862 820
Provisions	8	17 764 068	16 133 249
Trade and Other Payables from exchange transactions	9	10 934 562	13 086 905
Unspent Conditional Government Grants and Receipts	10	5 281 617	11 504 569
Current Portion of Long-term Borrowing	3	3 078 312	2 430 085
<b>Total Net Assets and Liabilities</b>		<b>405 545 776</b>	<b>398 564 707</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>321 882 944</b>	<b>308 955 743</b>
Property, Plant and Equipment	13	291 611 191	277 921 624
Investment Property	14	25 073 476	25 211 326
Intangible Assets	15	434 709	424 984
Heritage Assets	16	2 323 963	2 323 963
Capitalised Restoration Costs	17	2 439 606	3 073 846
<b>Current Assets</b>		<b>83 662 831</b>	<b>89 608 964</b>
Inventory	18	11 611 675	11 156 591
Receivables from exchange transactions	19	8 129 003	8 527 543
Receivables from non-exchange transactions	20	9 474 539	16 365 808
Operating Lease Asset	21	37 812	38 279
Unpaid Conditional Government Grants and Receipts	10	-	-
Taxes	12	1 623 569	1 793 239
Cash and Cash Equivalents	22	52 786 233	51 727 503
<b>Total Assets</b>		<b>405 545 776</b>	<b>398 564 707</b>

**SWELLENDAM LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017	Correction	2017
	Notes	(Actual) R	(Restated) R	of error R	(Previously reported Reclassified) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>130 741 180</b>	<b>115 684 291</b>	<b>-</b>	<b>115 684 291</b>
<b>Taxation Revenue</b>		<b>35 122 006</b>	<b>32 603 168</b>	<b>-</b>	<b>32 603 168</b>
Property taxes	23	35 122 006	32 603 168	-	32 603 168
<b>Transfer Revenue</b>		<b>57 778 282</b>	<b>49 337 116</b>	<b>-</b>	<b>49 337 116</b>
Government Grants and Subsidies - Capital	24	17 491 166	14 242 358	-	14 242 358
Government Grants and Subsidies - Operating	24	40 287 116	35 030 460	-	35 030 460
Public Contributions and Donations	24	-	64 299	-	64 299
<b>Other Revenue</b>		<b>37 840 892</b>	<b>33 744 006</b>	<b>-</b>	<b>33 744 006</b>
Fines, Penalties and Forfeits		37 583 124	33 592 661	-	33 592 661
Interest Earned - non exchange transactions		257 768	151 346	-	151 346
<b>Revenue from Exchange Transactions</b>		<b>116 918 161</b>	<b>111 264 436</b>	<b>-</b>	<b>111 264 436</b>
Service Charges	25	104 716 495	100 419 201	-	100 419 201
Rental from Fixed Assets		672 730	618 849	-	618 849
Interest Earned - external investments		4 183 787	3 535 777	-	3 535 777
Interest Earned - outstanding receivables		993 650	1 577 165	-	1 577 165
Licences and Permits		1 269 872	939 185	-	939 185
Agency Services		1 854 081	1 663 701	-	1 663 701
Operational Revenue	26	294 081	210 096	-	210 096
Sales of Goods and Rendering of Services	27	2 902 010	2 214 653	-	2 214 653
Contributed Property, Plant and Equipment		31 456	85 810	-	85 810
<b>Total Revenue</b>		<b>247 659 340</b>	<b>226 948 727</b>	<b>-</b>	<b>226 948 727</b>
<b>EXPENDITURE</b>					
Employee related costs	28	80 914 789	76 255 614	-	76 255 614
Remuneration of Councillors	29	4 954 221	4 379 308	-	4 379 308
Bad debts written-off	31	4 339 215	3 363 702	-	3 363 702
Depreciation and Amortisation	32	7 473 737	9 126 491	81 167	9 045 324
Inventory Consumed	18	17 429 790	9 175 423	-	9 175 423
Finance Charges	34	6 985 499	6 177 145	-	6 177 145
Bulk Purchases	35	51 602 061	50 442 322	-	50 442 322
Contracted Services	38	13 703 717	18 795 407	-	18 795 407
Operating Leases		48 305	329 022	-	329 022
Operational Costs	37	18 063 662	14 159 015	-	14 159 015
Transfers and Subsidies	36	1 296 595	1 586 105	-	1 586 105
<b>Total Expenditure</b>		<b>206 811 592</b>	<b>193 789 553</b>	<b>81 167</b>	<b>193 708 386</b>
<b>Operating Surplus</b>		<b>40 847 748</b>	<b>33 159 173</b>	<b>(81 167)</b>	<b>33 240 341</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		4 802	8 081	-	8 081
(Impairment Loss)/Reversal of Impairment Loss on Receivables	30	(30 432 477)	(19 255 415)	-	(19 255 415)
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	33	-	(240 172)	-	(240 172)
Gains/(Loss) on Sale of Fixed Assets		(344 721)	1 036 189	-	1 036 189
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>10 075 352</b>	<b>14 707 856</b>	<b>(81 167)</b>	<b>14 789 023</b>

**SWELLENDAM LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Housing Development Fund</b>	<b>Capital Replacement Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2016</b>	<b>3 653 687</b>	<b>10 000 000</b>	<b>228 880 571</b>	<b>242 534 258</b>
Change in accounting policy	-	-	-	-
Correction of error	-	-	3 371 934	3 371 934
<b>Restated Balance at 1 JULY 2016</b>	<b>3 653 687</b>	<b>10 000 000</b>	<b>232 252 505</b>	<b>245 906 192</b>
Net Surplus for the year	-	-	14 707 856	14 707 856
Transfer to housing	15 380	-	(15 380)	-
Transfer from Capital Replacement Fund (Capital expenditure)	-	(547 792)	547 792	-
Transfer to Capital Replacement Fund	-	547 792	(547 792)	-
<b>Balance at 30 JUNE 2017</b>	<b>3 669 067</b>	<b>10 000 000</b>	<b>246 944 981</b>	<b>260 614 047</b>
Net Surplus for the year	-	-	10 075 352	10 075 352
Transfer from housing	(1 560 037)	-	1 560 037	-
Transfer from Capital Replacement Fund (Capital expenditure)	(3 827 583)	-	3 827 583	-
Transfer to Capital Replacement Fund	3 827 583	-	(3 827 583)	-
<b>Balance at 30 JUNE 2018</b>	<b>2 109 030</b>	<b>10 000 000</b>	<b>258 580 366</b>	<b>270 689 400</b>

**SWELLEN DAM LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	30 JUNE 2018 R	30 JUNE 2017 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		157 303 150	141 726 063
Government		51 956 852	57 282 187
Interest		5 177 437	5 264 288
<b>Payments</b>			
Suppliers and employees		(184 134 111)	(164 951 576)
Finance charges	34	(6 985 499)	(6 177 145)
Transfers and Grants	36	(1 296 595)	(1 586 105)
<b>Cash generated by operations</b>	41	<b>22 021 233</b>	<b>31 557 712</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(19 035 944)	(14 778 036)
Proceeds on Disposal of Fixed Assets		117 323	1 447 629
Purchase of Intangible Assets		(72 531)	(12 114)
Decrease in Long-term Receivables			
<b>Net Cash from Investing Activities</b>		<b>(18 991 152)</b>	<b>(13 342 521)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(2 214 897)	(3 033 678)
New loans raised		-	-
Increase in Consumer Deposits		243 546	112 357
<b>Net Cash from Financing Activities</b>		<b>(1 971 351)</b>	<b>(2 921 321)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 058 730</b>	<b>15 293 869</b>
Cash and Cash Equivalents at the beginning of the year		51 727 503	36 433 634
Cash and Cash Equivalents at the end of the year	42	52 786 233	51 727 503
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 058 730</b>	<b>15 293 870</b>



**SWELLENHAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Material differences more than R2.4 million
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	52 786 233	47 168 000	5 618 233	
Call Investment deposits	-	-	-	Improved credit and budget control as well as Unspent Conditional Grants.
Consumer debtors	17 603 542	30 000 000	(12 396 458)	Write-off of bad debt and disciplined credit control.
Other Receivables	1 661 381	2 000 000	(338 619)	
Current portion of long-term receivables	-	-	-	
Inventory	11 611 675	12 000 000	(388 325)	
<b>Total current assets</b>	<b>83 662 831</b>	<b>91 168 000</b>	<b>(7 505 169)</b>	
<b>Non current assets</b>				
Investment property	25 073 476	19 668 000	5 405 476	Due to formula used to determine the budgetted amount.
Property, plant and equipment	291 611 191	283 170 000	8 441 191	Due to retrospective correction of error as well as formula used to determine the budgetted amount.
Intangible Assets	434 709	430 000	4 709	
Other non-current assets	4 763 569	4 800 000	(36 431)	
<b>Total non current assets</b>	<b>321 882 944</b>	<b>308 068 000</b>	<b>13 814 944</b>	
<b>TOTAL ASSETS</b>	<b>405 565 174</b>	<b>399 236 000</b>	<b>6 309 776</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	3 078 312	2 800 000	278 312	
Consumer deposits	2 244 804	1 540 000	704 804	
Trade and other payables	16 216 178	57 529 000	(41 312 822)	Improved budget control, a decrease in Unspent Conditional Grants as well as a decrease in expenditure.
Provisions and Employee Benefits	27 454 173	6 000 000	21 454 173	Due to actuarial calculations.
<b>Total current liabilities</b>	<b>48 993 468</b>	<b>67 869 000</b>	<b>(18 875 532)</b>	
<b>Non current liabilities</b>				
Borrowing	31 939 491	28 577 000	3 362 491	New finance leases of office equipment.
Provisions and Employee Benefits	53 923 420	59 000 000	(5 076 580)	Due to actuarial calculations.
<b>Total non current liabilities</b>	<b>85 862 911</b>	<b>87 577 000</b>	<b>(1 714 089)</b>	
<b>TOTAL LIABILITIES</b>	<b>134 856 379</b>	<b>155 446 000</b>	<b>(20 589 621)</b>	
<b>NET ASSETS</b>	<b>270 689 397</b>	<b>243 790 000</b>	<b>26 899 397</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	258 580 366	235 091 000	23 489 366	
Reserves	12 109 031	8 700 000	3 409 031	Contribution to CRR not taken into account in full during the budgetting process.
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>270 689 397</b>	<b>243 791 000</b>	<b>26 898 397</b>	

**SWELLENDAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Material differences more than R2.4 million
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	20 784 000	26 384 000	47 168 000	
Call investment deposits	-	-	-	
Consumer debtors	30 000 000	-	30 000 000	
Other Receivables	2 000 000	-	2 000 000	
Current portion of long-term receivables	-	-	-	
Inventory	12 000 000	-	12 000 000	improved credit and budget control as well as Unspent Conditional Grants.
<b>Total current assets</b>	<b>64 784 000</b>	<b>26 384 000</b>	<b>91 168 000</b>	
<b>Non current assets</b>				
Investment property	19 668 000	-	19 668 000	
Property, plant and equipment	278 208 000	4 962 000	283 170 000	
Intangible Assets	430 000	-	430 000	
Other non-current assets	4 800 000	-	4 800 000	Additional allocation from the Department of Human Settlements for the purchase of land.
<b>Total non current assets</b>	<b>303 106 000</b>	<b>4 962 000</b>	<b>308 068 000</b>	
<b>TOTAL ASSETS</b>	<b>367 890 000</b>	<b>31 346 000</b>	<b>399 236 000</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	2 800 000	-	2 800 000	
Consumer deposits	1 540 000	-	1 540 000	
Trade and other payables	23 373 000	34 156 000	57 529 000	Due to an increase in expenditure as well as formula used to determine the budgetted amount.
Provisions and Employee Benefits	6 000 000	-	6 000 000	
<b>Total current liabilities</b>	<b>33 713 000</b>	<b>34 156 000</b>	<b>67 869 000</b>	
<b>Non current liabilities</b>				
Borrowing	36 200 000	(7 623 000)	28 577 000	
Provisions and Employee Benefits	59 000 000	-	59 000 000	Incorrect previous budget used for initial calculation.
<b>Total non current liabilities</b>	<b>95 200 000</b>	<b>(7 623 000)</b>	<b>87 576 000</b>	
<b>TOTAL LIABILITIES</b>	<b>128 913 000</b>	<b>26 533 000</b>	<b>155 446 000</b>	
<b>NET ASSETS</b>	<b>238 978 000</b>	<b>4 813 000</b>	<b>243 791 000</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	230 277 000	4 814 000	235 091 000	
Reserves	8 700 000	-	8 700 000	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>238 977 000</b>	<b>4 814 000</b>	<b>243 791 000</b>	

**SWELLENHAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FINANCIAL PERFORMANCE 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Material differences more than R2.4 million
<b>REVENUE BY SOURCE</b>				
Property rates	35 122 006	35 414 000	(291 994)	
Service charges	104 716 495	104 362 000	354 495	
Rental of facilities and equipment	672 730	329 000	343 730	
Interest earned - external investments	4 183 787	3 700 000	483 787	
Interest earned - outstanding debtors	1 251 418	933 000	318 418	
Fines	37 583 124	27 042 000	10 541 124	Increase in provision of traffic fines reflecting total of fines issued and not only paid.
Licences and permits	1 269 872	911 000	358 872	
Agency services	1 854 081	1 600 000	254 081	
Government Grants and Subsidies - Operating	40 287 116	43 118 000	(2 830 884)	
Other revenue	3 227 547	3 755 000	(527 453)	Due to Unspent Conditional Grants.
Gains on disposal of PPE	-	500 000	(500 000)	
Inventories: (Write-down)/Reversal of Write-down to Net R	4 802	-	4 802	
<b>Total Operating Revenue</b>	<b>230 172 977</b>	<b>221 664 000</b>	<b>8 508 977</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	80 914 789	89 102 000	(8 187 211)	Cost containment measures on employee cost as well as due to the decrease in provisions of employee benefits.
Remuneration of councillors	4 954 221	4 970 000	(15 779)	
Debt Impairment	30 432 477	20 000 000	10 432 477	Inadequate budgeting for impairment of traffic fines.
Bad debts written off	4 339 215	4 550 512	(211 297)	
Depreciation & asset impairment	7 473 737	10 290 000	(2 816 263)	Decrease in budgeted depreciation for landfill sites.
Finance charges	6 985 499	4 894 000	2 091 499	
Bulk purchases	51 602 061	53 411 000	(1 808 939)	
Other materials	17 429 790	19 259 000	(1 829 210)	
Contracted Services	13 703 717	15 631 000	(1 927 283)	
Grants and subsidies paid	1 296 595	1 733 000	(436 405)	
Other expenditure	18 111 967	19 752 488	(1 640 521)	
Loss on disposal of PPE	344 721	-	344 721	
<b>Total Operating Expenditure</b>	<b>237 588 791</b>	<b>243 593 000</b>	<b>(6 004 209)</b>	
<b>Operating Deficit for the year</b>	<b>(7 415 814)</b>	<b>(21 929 000)</b>	<b>14 513 186</b>	
Government Grants and Subsidies - Capital	17 491 166	19 773 000	(2 281 834)	Land purchase transaction not utilised.
<b>Net Surplus/(Deficit) for the year</b>	<b>10 075 352</b>	<b>(2 156 000)</b>	<b>12 231 352</b>	

**SWELLEDAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FINANCIAL PERFORMANCE 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Material differences more than R2.4 million
<b>REVENUE BY SOURCE</b>				
Property taxes	34 958 000	456 000	35 414 000	
Service Charges	104 954 000	(592 000)	104 362 000	
Rental of Facilities and Equipment	1 570 000	(1 241 000)	329 000	
Interest Earned - external investments	2 461 000	1 239 000	3 700 000	
Interest Earned - outstanding receivables	2 087 000	(1 154 000)	933 000	
Fines, Penalties and Forfeits	26 818 000	224 000	27 042 000	
Agency Services	1 705 000	(105 000)	1 600 000	
Licences and Permits	896 000	15 000	911 000	
Government Grants and Subsidies - Operating	37 254 000	5 854 000	43 118 000	
Other revenue	1 807 000	1 948 000	3 755 000	
Gain on disposal of Property, Plant and Equipment	2 000 000	(1 500 000)	500 000	Due to roll over of Unspent Conditional Grants approved August 2017.
<b>Total Operating Revenue</b>	<b>216 520 000</b>	<b>5 144 000</b>	<b>221 664 000</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	85 039 000	4 063 000	89 102 000	Budget changes due to MSCOA segment changes.
Remuneration of councillors	5 124 000	(154 000)	4 970 000	
Debt Impairment	20 000 000	-	20 000 000	
Depreciation & asset impairment	10 830 000	(540 000)	10 290 000	
Finance charges	6 193 000	(1 299 000)	4 894 000	
Bulk purchases	53 280 000	131 000	53 411 000	
Other materials	14 629 000	4 630 000	19 259 000	Budget changes due to MSCOA segment changes.
Contracted Services	1 482 000	15 631 000	15 631 000	Budget changes due to MSCOA segment changes.
Grants and subsidies paid	-	251 000	1 733 000	
Other expenditure	35 853 000	(11 550 000)	24 303 000	Budget changes due to MSCOA segment changes.
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>232 429 000</b>	<b>11 160 000</b>	<b>243 592 000</b>	
<b>Operating Deficit for the year</b>	<b>(15 909 000)</b>	<b>(6 020 000)</b>	<b>(21 929 000)</b>	
Government Grants and Subsidies - Capital	14 810 000	4 963 000	19 773 000	Due to roll over of Unspent Conditional Grants approved August 2017.
<b>Net Deficit for the year</b>	<b>(1 099 000)</b>	<b>(1 053 000)</b>	<b>(2 155 000)</b>	

**SWELLENDAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Material differences more than R2.4 million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	157 303 150	153 177 000	4 126 150	Increase in recovery of Receivables.
Government - operating	34 465 686	43 118 000	(8 652 314)	Due to Unspent Conditional Grants.
Government - capital	17 491 166	19 773 000	(2 281 834)	
Interest	5 177 437	4 642 000	535 437	
Payments				
Suppliers and Employees	(184 134 111)	(190 965 000)	6 830 889	Cost containment measures on employee cost and expenditure.
Finance charges	(6 985 499)	(4 503 000)	(2 482 499)	Due to formula used to determine the budgetted amount.
Transfers and Grants	(1 296 595)	(1 733 000)	436 405	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>22 021 233</b>	<b>23 509 000</b>	<b>(1 487 767)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of Assets	117 323	500 000	(382 677)	
Decrease/(Increase) in non-current receivables	-	-	-	
Payments				
Capital assets	(19 108 475)	(23 773 000)	4 664 525	Land purchase transaction not utilised.
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(18 991 152)</b>	<b>(23 273 000)</b>	<b>4 281 848</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	243 546	-	243 546	
Payments				
Repayment of borrowing	(2 214 897)	(4 796 000)	2 581 103	Due to formula used to determine the budgetted amount.
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 971 351)</b>	<b>(4 796 000)</b>	<b>2 824 649</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1 058 730</b>	<b>(4 560 000)</b>	<b>5 618 730</b>	
Cash and Cash Equivalents at the beginning of the year	51 727 503	51 728 000	(497)	
Cash and Cash Equivalents at the end of the year	52 786 233	47 168 000	5 618 233	

**SWELLENHAM LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

Material differences more than R2.4 million

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	148 456 000	4 721 000	153 177 000	
Government - operating	37 264 000	5 854 000	43 118 000	
Government - capital	14 810 000	4 963 000	19 773 000	
Interest	4 506 000	136 000	4 642 000	
Payments				
Suppliers and Employees	(189 101 000)	(1 864 000)	(190 965 000)	
Finance charges	(5 789 000)	1 286 000	(4 503 000)	
Transfers and Grants	(1 482 000)	(251 000)	(1 733 000)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>8 664 000</b>	<b>14 845 000</b>	<b>23 509 000</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of Assets	2 000 000	(1 500 000)	500 000	
Decrease/(Increase) in non-current receivables	-	-	-	
Decrease/(Increase) in non-current investments	-	-	-	
Payments				
Capital assets	(18 761 000)	(5 012 000)	(23 773 000)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(16 761 000)</b>	<b>(6 512 000)</b>	<b>(23 273 000)</b>	Land purchase transaction not utilised.
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(2 700 000)	(2 096 000)	(4 796 000)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(2 700 000)</b>	<b>(2 096 000)</b>	<b>(4 796 000)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(10 796 000)</b>	<b>6 237 000</b>	<b>(4 560 000)</b>	
Cash and Cash Equivalents at the beginning of the year	31 580 000	20 148 000	51 728 000	
Cash and Cash Equivalents at the end of the year	20 784 000	26 384 000	47 168 000	

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

##### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

##### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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#### **1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.



**SWELLENDAM MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>1 April 2019</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2019</b>
<b>IGRAP 17</b>	<p><b><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u></b></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	<b>1 April 2019</b>

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy	
<b>GRAP 109</b>	<p><b>Accounting by Principles and Agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>1 April 2019</b>
<b>GRAP 110</b>	<p><b>Living and non-living resources</b></p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2020</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. RESERVES

### 1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### 1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### **1.10. LEASES**

##### **1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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- Unspent conditional grants are recognised as a liability when the grant is received.
  - When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
  - The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
  - Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

#### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### **1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.14. EMPLOYEE BENEFITS**

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### **1.14.1 Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these

plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.3 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.14.5 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.14.6 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.14.7 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

#### **1.15. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### **1.16. PROPERTY, PLANT AND EQUIPMENT**

##### **1.16.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.16.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.16.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives: ( indicated in years)



# **SWELLENDAM MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Intangible assets	Software	5 - 10
Investment property	Land	0
Investment property	Buildings	100
Property Plant and Equipment		
Infrastructure assets	Electrical Infrastructure -In-use -LV Networks	30 - 60
Infrastructure assets	Electrical Infrastructure -In-use -MV Networks	45 - 61
Infrastructure assets	Electrical Infrastructure -In-use -MV Substations -Cost	20 - 60
Infrastructure assets	Roads Infrastructure	15 - 80
Infrastructure assets	Sanitation Infrastructure	12 - 100
Infrastructure assets	Solid Waste Infrastructure	15 - 52
Infrastructure assets	Storm water Infrastructure	25 - 100
Infrastructure assets	Water Supply Infrastructure -Dams and Weirs	30 - 100
Infrastructure assets	Water Supply Infrastructure -Distribution	0 - 100
Infrastructure assets	Supply Infrastructure -Pump Stations	12 - 80
Infrastructure assets	Water Supply Infrastructure -Reservoirs	15 - 80
Infrastructure assets	Water Supply Infrastructure -Water Treatment Works (WTW)	8 - 80
Infrastructure assets	Water Supply Infrastructure - Bulk Mains	60 - 80
Leased Assets	Furniture and office equipment	3 - 8
Community Assets		0 - 100
Libraries		0 - 100
Other Assets		0 - 100
Computer Equipment		3 - 26
Furniture and Office Equipment		4 - 35
Information and Communication Infrastructure		17 - 24
Machinery and Equipment		2 - 30
Transport Assets		9 - 40

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### **1.16.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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#### **1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used

in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

#### **1.17. INTANGIBLE ASSETS**

##### **1.17.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

##### **1.17.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

##### **1.17.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

#### 1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

### 1.18. INVESTMENT PROPERTY

#### 1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

#### 1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

#### 1.19 HERITAGE ASSETS

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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#### **1.19.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.19.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.19.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.19.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### **1.19.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

#### **1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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#### 1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to
- dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.20.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

##### **(a) External sources of information**

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

##### **(b) Internal sources of information**

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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- A decision to halt the construction of the asset before it is complete or in a usable condition.
  - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.



## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.21. INVENTORIES**

##### **1.21.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in

net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.22.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.22.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

###### **1.22.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.22.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.22.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### **1.22.2.4 Non-Current Investments**

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### **1.22.3 De-recognition of Financial Instruments**

##### **1.22.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.22.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.23 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.23.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### **1.23.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### 1.24. REVENUE

##### 1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### 1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.



## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### 1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- 
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
  - (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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#### **1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is

accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### **1.31.1 Post-retirement medical obligations and, Long service awards**

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates

and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### **1.31.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1.31.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### **1.31.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.31.7 Revenue Recognition**

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.31.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the

## **SWELLENDAM MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **1.31.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.31.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

#### **1.31.11 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### **1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### **1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.34. EVENTS AFTER REPORTING DATE**



## SWELLENDAM MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### **1.35. TAXATION**

##### **1.35.1 Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

##### **1.35.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

##### **1.35.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

	2018 R	2017 R
<b>2 NET ASSET RESERVES</b>		
Housing Development Fund	2 109 031	3 669 068
Capital Replacement Reserve	10 000 000	10 000 000
<b>Total Net Asset Reserves</b>	<b>12 109 031</b>	<b>13 669 068</b>
<b>3 LONG-TERM BORROWINGS</b>		
Annuity Loans - At amortised cost	31 881 264	33 654 268
Hire Purchases Liability-At amortised cost	1 452 207	1 855 380
Capitalised Lease Liability - At amortised cost	1 684 333	-
	<b>35 017 803</b>	<b>35 509 647</b>
Current Portion transferred to Current Liabilities	<b>3 078 312</b>	<b>2 430 085</b>
Annuity Loans - At amortised cost	2 144 038	2 027 391
Hire Purchases Liability-At amortised cost	441 009	402 694
Capitalised Lease Liability - At amortised cost	493 267	-
	<b>31 939 491</b>	<b>33 079 562</b>
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>31 939 491</b>	<b>33 079 562</b>
Annuity loans at amortised cost consist of 8 contracts with DBSA, calculated at interest rates ranging between 8.075% and 15.9%, with a maturity dates between 2017 and June 2030. The loans are unsecured.		
A loan from ABSA. The principle amount is R 6 595 800 at a fix interest rate of 9%. Interest is capitalized monthly and the repayments is 6 monthly. The loan is unsecured.		
The obligations under annuity loans are scheduled below:		
	<b>Minimum annuity payments</b>	
Amounts payable under annuity loans:		
Payable within one year	5 558 339	5 647 074
Payable within two to five years	21 880 988	22 180 606
Payable after five years	28 532 647	32 803 187
	<b>53 971 974</b>	<b>60 630 867</b>
<b>Less:</b> Future finance obligations	<b>(22 090 711)</b>	<b>(26 976 800)</b>
<b>Present value of annuity obligations</b>	<b>31 881 263</b>	<b>33 654 267</b>
A Hire Purchase agreement at amortised cost was entered with ABSA. The principle amount is R 2 320 262.95 at a fix interest rate of 8%. Interest is capitalized monthly and the repayments is 6 monthly. The loan is secured.		
The obligations under hire purchases are scheduled below:		
	<b>Minimum annuity payments</b>	
Amounts payable under annuity loans:		
Payable within one year	566 175	566 175
Payable within two to five years	1 132 350	1 698 526
Payable after five years	-	-
	<b>1 698 526</b>	<b>2 264 701</b>
<b>Less:</b> Future finance obligations	<b>(246 319)</b>	<b>(409 321)</b>
<b>Present value of Hire Purchase obligations</b>	<b>1 452 206</b>	<b>1 855 380</b>
Hire purchases are secured by property plant and equipment		
The obligations under finance leases are scheduled below:		
	<b>Minimum lease payments</b>	
Amounts payable under finance leases:		
Payable within one year	639 618	-
Payable within two to five years	1 315 330	-
Payable after five years	-	-
	<b>1 954 948</b>	<b>-</b>
<b>Less:</b> Future finance obligations	<b>(270 615)</b>	<b>-</b>
<b>Present value of lease obligations</b>	<b>1 684 333</b>	<b>-</b>
Leases are secured by property, plant and equipment - Note 11		
The municipality has entered into lease agreements with Centrafra for copiers, shredders and printers. The rental periods are for 36 months, starting 1 June 2018. Rental instalments are payable monthly. An annual escalation of 5% is applicable.		

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**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

**Total Non-current Employee Benefit Liabilities****2018**  
**R****2017**  
**R**

30 397 195

29 789 435

3 661 887

2 544 511

**34 059 082****32 333 946****2018**  
**R****2017**  
**R****Post Retirement Benefits**

Balance 1 July

30 592 132

29 692 870

Contribution for the year

1 635 693

1 720 242

Interest Cost

2 961 476

2 675 556

Expenditure for the year

(535 088)

(696 528)

Actuarial Gain

(3 442 399)

(2 800 008)

**31 211 814****30 592 132****Total post retirement benefits 30 June****Less:** Transfer of Current Portion - Note 7

(814 619)

(802 697)

**Balance 30 June****30 397 195****29 789 435****Long Service Awards**

Balance 1 July

2 831 422

2 928 239

Contribution for the year

1 298 921

228 395

Interest Cost

227 290

221 485

Expenditure for the year

(271 884)

(575 514)

Actuarial Loss

74 398

28 817

**4 160 367****2 831 422****Total long service 30 June****Less:** Transfer of Current Portion - Note 7

(498 480)

(286 911)

**Balance 30 June****3 661 887****2 544 511****TOTAL NON-CURRENT EMPLOYEE BENEFITS****2018****2017**

Balance 1 July

33 423 554

32 621 109

Contribution for the year

2 934 614

1 948 637

Interest cost

3 188 766

2 897 041

Expenditure for the year

(806 752)

(1 272 042)

Actuarial Gain

(3 388 001)

(2 771 191)

**35 372 181****33 423 554****Total employee benefits 30 June****Less:** Transfer of Current Portion - Note 7

(1 313 099)

(1 089 608)

**Balance 30 June****34 059 082****32 333 946**

4

**EMPLOYEE BENEFITS (CONTINUE)****4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

184

169

In-service (employee) non-members

56

65

Continuation members (e.g. Retirees, widows, orphans)

18

19

**Total Members****258****253**

The liability in respect of past service has been estimated to be as follows:

In-service members

19 302 079

17 677 645

In-service non- members

2 967 357

3 357 770

Continuation members

8 942 378

9 556 718

**Total Liability****31 211 814****30 592 133**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2016**  
**R****2015**  
**R****2014**  
**R****2013**  
**R**

29 692 870

28 334 485

25 209 737

22 061 929

**Total Liability****29 692 870****28 334 485****25 209 737****22 061 929**

	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Experience adjustments were calculated as follows:				
Liabilities: loss/(profit)	-0,701	1,427	-1,649	-1,794

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health;  
Key health;  
Hosmed;  
Samwu

	2018 %	2017 %
Key actuarial assumptions used:		
<b>i) Rate of Interest</b>		
Discount rate	9,66	9,81
Health Care Cost Inflation Rate	7,45	8,09
Net Effective Discount Rate	2,06	1,59

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

	2018 R	2017 R
The amount recognised in the Statement of Financial Position is as follow:		
Present value of fund obligations	30 397 195	29 789 435
<b>Total Liability</b>	<b>30 397 195</b>	<b>29 789 435</b>

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	30 592 132	29 692 870
Total expenses	4 062 081	3 699 270
Current service cost	1 635 693	1 720 242
Interest Cost	2 961 476	2 675 556
Benefits Paid	(535 088)	(696 528)
Actuarial (gains)/losses	(3 442 389)	(2 800 008)
Present value of fund obligation at the end of the year	31 211 814	30 592 132
<u>Less:</u> Transfer of Current Portion - Note 7	(814 619)	(802 697)
<b>Balance 30 June</b>	<b>30 397 195</b>	<b>29 789 435</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)
Central Assumptions	22,269	8,942	31,212

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Health care inflation	1%	26,790	9,741	36,531	17
Health care inflation	-1%	18,676	8,240	26,916	(14)
Post-retirement mortality	-1 year	18,769	8,259	27,028	(13)
Discount Rate	1%	26,734	9,731	36,465	17
Discount Rate	-1%	22,899	9,292	32,191	3
Average retirement age	-1 year	23,503	8,942	32,445	4
Continuation of membership at retirement	-10%	18,716	8,942	27,658	(11)

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		1 635 700	2 861 500	4 597 200	
Health care inflation	1%	2 045 500	3 488 300	5 533 800	20
Health care inflation	-1%	1 320 600	2 537 700	3 858 300	(16)
Post-retirement mortality	-1 year	1 339 500	2 806 700	4 146 200	(10)
Discount Rate	1%	2 023 800	3 129 200	5 153 000	12
Discount Rate	-1%	1 683 600	3 059 700	4 743 300	3
Average retirement age	-1 year	1 587 400	3 090 700	4 678 100	2
Continuation of membership at retirement	-10%	1 399 200	2 811 100	4 010 300	(13)
				<b>2018</b>	<b>2017</b>

#### 4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

Key actuarial assumptions used:

##### 1) Rate of Interest

Discount rate	8,53	8,45
General Salary Inflation (long-term)	6,16	6,27
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,23	2,05

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amount recognised in the Statement of Financial Position is as follows:

Present value of fund obligations	3 661 887	2 544 511
<b>Net liability</b>	<b>3 661 887</b>	<b>2 544 511</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R	2013 R
<b>Total Liability</b>	<b>2 291 604</b>	<b>2 426 071</b>	<b>2 245 822</b>	<b>2 225 611</b>

Experience adjustments were calculated as follows:

	2018	2017	2016	2015
Liabilities: (Gain) / loss	123 313	233 573	181 212	278 768

Reconciliation of present value of fund obligation:

	2018	2017
Present value of fund obligation at the beginning of the year	2 831 422	2 928 239
Total expenses	1 254 547	(125 634)
Current service cost	1 298 921	228 395
Interest Cost	227 290	221 485
Benefits Paid	(271 664)	(575 514)
Actuarial (gains)/losses	74 398	28 817
Present value of fund obligation at the end of the year	4 160 367	2 831 422
<b>Less:</b> Transfer of Current Portion - Note 7	(498 480)	(286 911)
<b>Balance 30 June</b>	<b>3 661 887</b>	<b>2 544 511</b>

#### Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		4,160	
General salary inflation	1%	4,394	6
General salary inflation	-1%	3,945	(5)
Discount Rate	1%	3,931	(6)
Discount Rate	-1%	4,414	6
Average retirement age	-2 yrs	3,177	(24)
Average retirement age	2 yrs	4,806	16
Withdrawal rates	-50%	4,820	16

#### 4,3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

#### CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).

Contributions paid recognised in the Statement of Financial Performance

2018 R	2017 R
6 267 188	5 475 513

#### DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SAMWU National Provident Fund

1 943 867	1 898 204
1 943 867	1 898 204
2018 R	2017 R

#### 5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of landfill sites

19 864 338	18 518 263
------------	------------

#### Landfill sites

Balance 1 July  
Unwinding of discounted interest  
Additions

34 651 512	32 573 864
2 976 894	2 077 648

**Total provision 30 June**

37 628 406	34 651 512
------------	------------

**Less:** Transfer of Current Portion to Current Provisions - Refer to note 8

(17 764 068)	(16 133 249)
--------------	--------------

**Balance 30 June**

19 864 338	18 518 263
------------	------------

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Malagas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Rehabilitation area (m²)	<b>15 772</b>	<b>41 976</b>	<b>3 269</b>	<b>3 275</b>	<b>9 451</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Preliminary and General	753 681	1 650 431	165 725	228 580	595 575
Site Clearance and Preparation	46 527	123 829	9 644	9 661	27 880
Stormwater Control Measures	1 030 204	1 582 510	435 680	448 032	1 124 521
Capping	2 704 792	9 308 966	561 204	566 393	1 728 570
Gas Management	-	83 787	-	-	-
Leachate Management	348 287	700 333	167 854	134 804	351 860
Fencing	1 253 625	9 367	9 367	475 826	1 021 274
Other	409 967	793 594	798 098	850 152	458 024
Contingencies	613 712	1 343 922	134 847	186 130	484 968
Engineering Professional Fees	506 312	1 108 736	111 331	153 557	400 099
Site Supervision	387 136	551 938	233 078	217 088	268 821

#### Previously reported

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites increasing at a rate of 6.01% pa (2018), 6.5% pa (2017) are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation at decommission date</u>	<u>Cost of rehabilitation at decommission date Restated</u>	<u>Cost of rehabilitation at decommission date</u>
		<b>2018</b>	<b>2017</b>	<b>2017</b>
				<b>R</b>
Malagas	2019	8 517 453	7 798 065	7 322 127
Swellendam	2022	21 773 650	21 825 850	15 930 269
Infanta	2041	10 066 563	11 731 506	2 587 993
Suurbraak	2019	3 464 797	3 153 628	2 961 153
Barrydale	2019	6 850 217	6 230 217	5 849 969
		<b>50 671 680</b>	<b>50 739 266</b>	<b>34 651 511</b>

#### 6 CONSUMER DEPOSITS

Water & Electricity	1 693 728	1 487 147
Other	551 076	514 111
<b>Total Consumer Deposits</b>	<b>2 244 804</b>	<b>2 001 259</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>-</b>	<b>-</b>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

#### 7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	814 619	802 697
Current Portion of Long-Service Provisions - Note 4	498 480	286 911
Provision for Staff Leave	5 722 745	5 289 731
Staff Bonuses accrued	1 860 798	1 613 694
Provision for Performance Bonuses	793 463	869 789
<b>Total Current Employee Benefits</b>	<b>9 690 105</b>	<b>8 862 820</b>

The movement in current employee benefits are reconciled as follows:

##### Provision for Staff Leave

Balance at beginning of year	5 289 731	3 452 425
Contribution to current portion	693 891	2 054 815
Expenditure incurred	(260 877)	(217 510)
<b>Balance at end of year</b>	<b>5 722 745</b>	<b>5 289 731</b>

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

##### Staff Bonuses accrued

Balance at beginning of year	1 613 694	1 520 058
Contribution to current portion	3 611 701	3 207 971
Expenditure incurred	(3 364 597)	(3 114 336)
<b>Balance at end of year</b>	<b>1 860 798</b>	<b>1 613 694</b>



Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

**Performance Bonuses**

Balance at beginning of year	869 789	800 000
Contribution to current portion	522 816	806 568
Expenditure incurred	(599 142)	(536 779)
Balance at end of year	<b>793 463</b>	<b>869 789</b>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

**8 PROVISIONS**

Current Portion of Rehabilitation of landfill sites - Note 5	17 764 068	16 133 249
<b>Total Provisions</b>	<b>17 764 068</b>	<b>16 133 249</b>

**9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Trade Payables	6 247 102	9 498 175
Accrued interest	641 231	684 639
Prepaid Electricity	538 469	511 308
Retentions and Guarantees	755 925	1 181 375
Debtors paid in advance	1 249 178	1 200 073
Other payables	1 502 657	11 336
<b>Total Trade Payables</b>	<b>10 934 562</b>	<b>13 086 905</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hail and building plan deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.

**10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

**Unspent Grants**

National Government Grants  
Provincial Government Grants  
Other Grant Providers

5 281 616 11 504 569

2 277	6 150 277
5 194 668	5 077 621
84 673	276 672

**Less:** Unpaid Grants

National Government Grants  
Provincial Government Grants  
Other Grant Providers

-	-
-	-
-	-

**Total Conditional Grants and Receipts**

**5 281 617 11 504 569**

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**11 UNSPENT PUBLIC CONTRIBUTIONS**

Description of unspent contribution

- -

Description of unspent contribution

- -

Total Unspent Public Contributions

-	-
---	---

**12 TAXES**

**12,1 VAT PAYABLE**

VAT in suspense  
VAT output in suspense  
Total Vat payable

- -  
(1 357 161) 92 738 252  
(1 357 161) 92 738 252

(1 357 161)	92 738 252
(1 357 161)	92 738 252

**12,2 VAT RECEIVABLE**

VAT Input in suspense  
Total VAT receivable

266 408 94 531 492  
266 408 94 531 492

266 408	94 531 492
266 408	94 531 492

**12,3 NET VAT RECEIVABLE(PAYABLE)**

**1 623 569 1 793 239**

1 623 569	1 793 239
-----------	-----------

VAT is receivable/payable on the cash basis.



SWELLENDAM MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

30 JUNE 2017

	Cost										Carrying value		
	Accumulated Depreciation										Opening	Closing	Total
	Carrying	Reclassified	Transfers to	Depreciation/Write	Charging	Opening	Correction	Reclassified	Depreciation	Disposal of	Accumulated	Accumulated	Carrying
	Balance	Errors	Other Assets	Offs	Balance	Balance	of errors	Balance	Charge	Assets	Impairment	Impairments	Balance
	R		R	R	R	R		R	R	R	R	R	R
<b>Infrastructure</b>	<b>255 442 940</b>		<b>19 298 945</b>	<b>(148 330)</b>	<b>265 598 554</b>	<b>37 789 238</b>		<b>37 789 238</b>	<b>8 012 935</b>	<b>(144 763)</b>	<b>42 835 102</b>	<b>5 224</b>	<b>222 948 532</b>
Electrical Infrastructure	30 814 820	-	610 403	-	31 359 472	9 017 200	-	9 017 200	654 516	-	8 071 816	-	29 844 569
Roads Infrastructure	41 030 893	-	1 534 326	(153 391)	41 411 828	10 899 281	-	10 899 281	1 725 863	-	12 425 065	-	9 979 800
Water Infrastructure	54 227 714	-	-	-	54 227 714	273 882	-	273 882	7 179	(144 763)	138 275	-	72 104 377
Solid Waste Infrastructure	27 029 244	-	2 806 694	-	30 835 938	3 260 925	-	3 260 925	463 872	-	3 744 897	-	18 582 041
Storm water Infrastructure	41 532 910	-	530 297	-	42 063 207	7 820 554	-	7 820 554	647 565	-	8 468 119	-	30 142 395
Water Supply Infrastructure	19 229 279	-	4 461 037	-	23 690 316	-	-	-	-	-	-	5 224	3 985 092
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	7 940 811
<b>Lease Assets</b>	<b>887 013</b>		<b>-</b>	<b>-</b>	<b>887 013</b>	<b>558 583</b>		<b>558 583</b>	<b>98 383</b>	<b>-</b>	<b>625 588</b>	<b>-</b>	<b>435 886</b>
Office Equipment	887 013	-	-	-	887 013	558 583	-	558 583	98 383	-	625 588	-	81 117
<b>Other Assets</b>	<b>76 842 027</b>	<b>3 278 873</b>	<b>4 387 601</b>	<b>(662 814)</b>	<b>77 855 085</b>	<b>13 303 955</b>	<b>581 318</b>	<b>14 425 273</b>	<b>1 388 864</b>	<b>(538 916)</b>	<b>16 447 289</b>	<b>7 073 297</b>	<b>54 914 395</b>
Community Assets	24 574 940	3 549	70 050	(193 000)	24 452 539	510 023	-	510 023	80 422	-	630 445	-	17 990 690
Business	18 159 722	2 500 016	209 648	-	20 869 386	1 907 550	228 579	1 214 451	151 671	-	1 335 822	6 087 038	6 769 737
Motor Vehicles	3 400 915	-	-	-	3 400 915	133 274	-	133 274	38 271	-	1 162 611	15 912	2 240 102
Information Systems - Community Asset	5 023 643	43 482	303 154	(189 255)	5 137 520	2 504 468	2 074	2 507 452	287 649	(273 672)	2 678 809	-	4 138 540
Furniture and Office Equipment	3 217 640	15 633	362 890	(281 464)	3 304 009	1 038 417	1 059	1 039 776	218 778	(100 054)	1 748 919	-	2 518 639
Computer Equipment	12 095 080	-	-	(65 593)	11 929 487	5 140 529	449 259	6 145 639	360 180	(183 526)	6 322 293	-	1 985 690
Transport Assets	2 155 000	1 015 018	42 729	(107 071)	2 090 666	137 529	-	137 529	150 899	-	2 46 000	-	1 748 910
Inventory and Equipment	148 120	-	-	-	148 120	-	-	-	-	-	-	-	2 441 140
Information and Communication Infrastructure	326 492 872	3 278 873	529 871 547	(719 240)	549 834 426	52 267 344	981 318	52 448 772	6 443 324	(583 061)	58 738 395	7 078 831	65 982 540
			<b>14 863 848</b>	<b>(193 600)</b>					<b>6 443 324</b>			<b>118 844</b>	<b>277 651 654</b>

13

**Assets pledged as security:**

All the assets obtained by financial leases are pledged as security.

Carrying value of these assets :

2018

2017

1 693 310

61 117

**Third party payments received for losses incurred:**

Payments received (Excluding VAT)

Carrying value of assets written off/lost

Deficit

-

454 545

454 545

-

32 529

32 529

**Effect of changes in accounting estimates**

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.

The effect on the current and future periods are as follow :

2018  
R2019  
R2020  
R

Decrease in Accumulated Depreciation: Property, plant and equipment

(160 438)

(95 515)

59 324

**Impairment of property plant and equipment for the year**

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Infrastructure

Land and Buildings

Community Assets

-

-

-

-

98 654

17 000

115 654

2018  
R2017  
R**Property Plant and Equipment which is in the process of construction or development****Infrastructure**

Water Supply

Electricity

Sanitation

Roads

2 054 361

1 825 304

-

3 146 996

4 234 981

855 749

2 250 182

-

**Community assets**

662 925

2 532 936

**Total**

7 689 586

9 873 848

2018  
R2017  
R**Property Plant and Equipment where construction or development has been halted**

Sanitation

2 901 762

769 642

**Reason**

Project: Upgrading of Suurbraak WWTW (R2 132 120.80). Professional fees indicated that the project would exceed budget and therefore was not deemed feasible. New Tender Process started.

Project: Upgrading of Barrydale WWTW (R769 641.60). Counter Funding deemed to high, project halted.

**Expenditure incurred to repair and maintain Property, Plant and Equipment:**

Employee related costs

Other materials

Contracted Services

9 729

6 064 837

9 436 609

15 511 375

19 880

5 412 735

7 268 145

12 700 760

**INVESTMENT PROPERTY****Net Carrying amount at 1 July**

Cost  
Accumulated Depreciation  
Accumulated Impairment

2018  
R2017  
R

25 211 326

25 597 466

34 928 614	35 111 625
(700 300)	(621 688)
(9 016 989)	(8 882 471)

Acquisitions  
Disposals  
Depreciation for the year  
Impairment  
Transfers to and from Land and Buildings

-  
(20 000)  
(81 172)  
-  
(36 677)

-  
(183 011)  
(78 611)  
(124 518)  
-

**Net Carrying amount at 30 June**

25 073 476

25 211 326

Cost  
Accumulated Depreciation  
Accumulated Impairment

34 871 937	34 928 614
(781 472)	(700 300)
(9 016 989)	(9 016 989)

Impairment charges on Investment Properties recognised in statement of financial performance

- 124 518

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property

14 320 121 751

**Operating expenditure incurred on properties****Revenue Generating expenditure**

Improved Property  
Employee related costs  
Other materials  
Contracted Services  
Non Improved Property

1 589	19 687
-	-
1 589	5 213
-	14 474
-	-

**Expenditure incurred to repair and maintain Investment Property**

Employee related costs  
Other materials  
Contracted Services

-	-
1 589	-
-	-
1 589	-

	2018 R	2017 R
<b>15 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>424 984</b>	<b>487 059</b>
Cost	885 919	874 718
Accumulated Amortisation	(460 935)	(387 658)
Additions	72 531	12 114
Amortisation	(62 806)	(73 277)
Impairments	-	-
Disposals	-	(911)
<b>Net Carrying amount at 30 June</b>	<b>434 709</b>	<b>424 984</b>
Cost	958 450	885 919
Accumulated Amortisation	(523 741)	(460 935)

2018 R	2019 R	2020 R
(280)	(280)	-

Change in accounting estimates - decrease in amortisation

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2018 R	2017 R
Microsoft Office and Windows software	5-10 years	434 709	424 984

No intangible asset assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2018 R	2017 R
<b>16 HERITAGE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>2 323 963</b>	<b>2 323 963</b>
Acquisitions	-	-
Disposals	-	-
Impairments	-	-
Reversal of impairment losses	-	-
Transfers to Investment Properties	-	-
<b>Net Carrying amount at 30 June</b>	<b>2 323 963</b>	<b>2 323 963</b>
Cost	2 489 854	2 489 854
Accumulated Impairment	(165 891)	(165 891)

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

#### Repairs and maintenance:

Disclosure of repairs and maintenance per GRAP 103.88

Employee related cost		
Other materials	15 954	14 587
Contracted services	2 170	1 805
Other expenditure	-	-
<b>Total repairs and maintenance</b>	<b>18 124</b>	<b>16 392</b>

**17 CAPITALISED RESTORATION COST**

**Net Carrying amount at 1 July**

Cost	3 073 846	5 526 037
Accumulated Depreciation	15 799 641	15 799 641
Accumulated Impairment	(12 286 051)	(9 833 860)
	(439 745)	(439 745)

Additions  
Depreciation  
Impairment

(634 241)	(2 452 181)
-	-

**Net Carrying amount at 30 June**

Cost	2 439 606	3 073 846
Accumulated Depreciation	15 799 641	15 799 641
Accumulated Impairment	(12 920 291)	(12 286 051)
	(439 745)	(439 745)

Refuse tip-sites financed by way of a provision - Refer to note 5

2 439 606	3 073 846
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**18 INVENTORY**

Consumable Stores - Stationery and materials - at cost  
Water - at cost  
Unsold Plots - at cost  
**Total Inventory**

3 055 634	2 429 352
56 067	51 264
8 499 975	8 675 975
11 611 675	11 156 591

Consumable stores materials written down due to losses as identified during the annual stores counts.

Consumable stores materials surpluses identified during the annual stores counts.

Inventory recognised as an expense during the year:

17 429 790	9 175 423
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Consumables  
Materials and Supplies

3 510 259	3 150 962
13 919 532	6 024 461

No inventory assets have been pledged as security for liabilities.

**19 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Electricity  
Water  
Refuse  
Sewerage  
Rentals  
Sundry Receivables

5 954 615	6 901 851
4 348 722	5 288 243
3 130 702	3 509 035
5 136 807	5 793 743
254 368	275 558
1 838 085	2 466 051

**Total Receivables from Exchange Transactions**  
Less: Allowance for Doubtful Debts

20 663 299	24 234 479
(12 534 296)	(15 706 937)

**Total Net Receivables from Exchange Transactions**

8 129 003	8 527 542
-----------	-----------

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

**Ageing of Receivables from Exchange Transactions:**

**(Electricity): Ageing**

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

4 032 190	4 466 948
427 015	493 667
38 507	79 491
1 456 903	1 861 744

**Total**

5 954 615	6 901 851
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**(Water): Ageing**

Current (0 - 30 days)	1 149 162	1 334 877
31 - 60 Days	367 390	352 990
61 - 90 Days	126 889	137 539
+ 90 Days	2 705 302	3 462 836
<b>Total</b>	<b>4 348 722</b>	<b>5 288 243</b>

**(Refuse): Ageing**

Current (0 - 30 days)	749 675	694 061
31 - 60 Days	274 659	245 907
61 - 90 Days	86 307	83 842
+ 90 Days	2 020 061	2 485 225
<b>Total</b>	<b>3 130 702</b>	<b>3 509 035</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	1 254 452	1 165 356
31 - 60 Days	474 783	418 461
61 - 90 Days	150 503	148 070
+ 90 Days	3 257 059	4 061 856
<b>Total</b>	<b>5 136 807</b>	<b>5 793 743</b>

**(Rentals): Ageing**

Current (0 - 30 days)	25 977	35 671
31 - 60 Days	11 309	15 548
61 - 90 Days	9 681	6 593
+ 90 Days	207 402	217 746
<b>Total</b>	<b>254 368</b>	<b>275 558</b>

**(Sundry): Ageing**

Current (0 - 30 days)	94 231	79 444
31 - 60 Days	50 596	63 117
61 - 90 Days	31 755	38 079
+ 90 Days	1 681 502	2 285 410
<b>Total</b>	<b>1 838 085</b>	<b>2 466 051</b>

**(Total): Ageing**

Current (0 - 30 days)	7 305 687	7 776 357
31 - 60 Days	1 605 761	1 589 690
61 - 90 Days	443 622	493 615
+ 90 Days	11 308 228	14 374 817
<b>Total</b>	<b>20 663 299</b>	<b>24 234 479</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	15 706 937	16 117 095
Contribution to provision/(Reversal of provision)	(3 172 641)	(410 158)
Transfer to Non-Exchange Provision	-	-
<b>Balance at end of year</b>	<b>12 534 296</b>	<b>15 706 937</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2018 R	2017 R
Rates	7 293 647	8 806 848
Other Receivables	49 408 377	66 032 105
Suspense Debtors	374 127	217 663
Other	49 034 250	65 814 441
<b>Total Receivables from Non-Exchange Transactions</b>	<b>56 702 025</b>	<b>74 838 953</b>
Less: Allowance for Doubtful Debts	(47 227 486)	(58 473 145)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>9 474 539</b>	<b>16 365 808</b>

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**Ageing of Receivables from Non-Exchange Transactions:**

**(Rates): Ageing**

Current (0 - 30 days)	2 435 431	2 188 274
31 - 60 Days	751 994	494 381
61 - 90 Days	133 880	147 005
+ 90 Days	3 972 343	5 967 189
<b>Total</b>	<b>7 293 647</b>	<b>8 806 848</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	58 473 145	38 872 617
Written-off	(44 436 955)	-
Contribution to provision/(Reversal of provision)	(1 653 414)	(1 095 786)
Contribution to provision-traffic fines	34 644 710	20 696 314
<b>Balance at end of year</b>	<b>47 227 486</b>	<b>58 473 145</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**21 OPERATING LEASE ARRANGEMENTS**

**The Municipality as Lessor (Asset)**

<b>Balance on 1 July</b>	38 279	44 384
Movement during the year	(467)	(6 105)
<b>Balance on 30 June</b>	<b>37 812</b>	<b>38 279</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	91 781	135 981
1 to 5 Years	88 129	164 104
More than 5 Years	23 743	39 549
<b>Total Operating Lease Arrangements</b>	<b>203 653</b>	<b>339 634</b>

This lease income was determined from contracts that have a specific conditional income.  
The leases are in respect of land and buildings being leased out for periods ranging until June 2031

The municipality does not engage in any sub-lease arrangements.  
The municipality did not pay any contingent rent during the year.

22 CASH AND CASH EQUIVALENTS

**Assets**

Bank Accounts	52 780 062	51 721 332
Cash on Hand	6 171	6 171
<b>Total Cash and Cash Equivalents - Assets</b>	<b>52 786 233</b>	<b>51 727 503</b>

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

**Current Accounts**

Fist National Bank- Swellendam- Account number 53840005730	2 351 713	10 336 967
ABSA - Barrydale- Account Number 2390560039 (Primary Bank)	62 788 296	49 784 061

**Current Accounts**

Cash book balance at beginning of year	51 721 332	36 427 463
Cash book balance at end of year	52 780 062	51 721 332

Bank statement balance at beginning of year	60 121 027	45 091 868
Bank statement balance at end of year	65 140 009	60 121 027

2018  
R

2017  
R

23 PROPERTY TAXES

**Actual**

**Rateable Land and Buildings**

Residential Properties	38 700 145	35 765 416
Industrial Property	24 535 696	23 213 238
Business and Commercial Property	-	626 750
Agricultural Property	5 775 862	5 399 663
Properties owned by an organ of state and used for Public Service Purposes	6 549 417	5 966 837
Public Service Infrastructure Properties	1 836 574	405 890
Public Benefit Organisations	524	2 850
	1 871	130 188

Less: Rebates	3 578 139	3 162 248
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<b>Total Assessment Rates</b>	<b>35 122 006</b>	<b>32 603 168</b>
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**Valuations - 1 JULY 2013 (Plus Interim Valuations)**

**Rateable Land and Buildings**

Residential Properties -Sec 8(2)(a)	2 632 780 450	2 716 434 260
Industrial Properties - Sec 8(2)(b)	70 745 000	63 360 000
Business and Commercial Properties-Sec 8(2)(c)	401 067 400	402 032 700
Farm Agricultural Purposes - Sec 8(2)(d)(i)	2 667 545 873	2 501 157 713
Farm Commercial Purposes-Sec 8(2)(d)(ii)	50 736 000	70 926 000
Farm Residential Purposes-Sec 8(2)(d)(iii)	27 225 000	42 305 000
Farm Other Purposes - Sec 8(2)(d)(iv)	4 070 000	1 320 000
Farm Not use for any Purposes -Sec 8(2)(e)	21 708 000	18 485 000
Small Holdings Agricultural-Sec 8(2)(f)(i)	212 000	212 000
Small Holdings Residential Purposes-Sec 8(2)(f)(ii)	4 070 000	25 680 000
Small Holdings Business Purposes-Sec 8(2)(f)(iii)	-	1 520 000
State Owned - Sec 8(2)(g)	197 681 000	206 754 000
Municipal Owned-Sec 8(2)(h)	146 444 450	167 486 100
Public Service Infrastructure -Sec 8(2)(i)	3 758 300	1 641 200
National Monuments- Sec 8(2)(p)	13 470 000	13 470 000
Public Benefit Organisations - Sec 8(2)(q)	86 254 500	85 347 500

<b>Total Assessment Rates</b>	<b>6 327 767 973</b>	<b>6 318 131 473</b>
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Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2013.

**Rates:**

Residential	0.972c/R	0.888c/R
Commercial	0.972c/R	0.888c/R
Agricultural	0.243c/R	0.222c/R
Public service infrastructure	0.010c/R	-

Rates are levied annually and monthly. Monthly rates are payable by the 28th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**24 GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional Grants**

**26 201 000 24 012 000**

Equitable Share

26 201 000	24 012 000
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**Conditional Grants**

**31 577 282 25 260 817**

Grants and donations

31 577 282	25 260 817
------------	------------

**Total Government Grants and Subsidies**

**57 778 282 49 272 817**

Government Grants and Subsidies - Capital

17 491 166 14 242 358

Government Grants and Subsidies - Operating

40 287 116 35 030 460

**57 778 282 49 272 817**

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Corporate Services

368 913 270 825

Community Services

9 842 310 7 442 350

Engineers Service

18 253 103 14 835 694

Finance Service

2 030 000 2 342 294

Municipal Manager

82 956 369 655

**31 577 282 25 260 817**

The municipality does not expect any significant changes to the level of grants.

**24,1 Equitable share**

Opening balance

- -

Grants received

26 201 000 24 012 000

Conditions met - Operating

(26 201 000) (24 012 000)

Conditions still to be met

- -

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**24,2 Expanded Public Works Program (EPWP)**

Opening balance

- 35 238

Grants received

1 291 000 1 177 000

Conditions met - Operating

(1 291 000) (1 177 000)

Conditions met - Capital

- -

Grants paid back to National Treasury

- (35 238)

Conditions still to be met

- -

Job creation projects in previous disadvantage areas

**24,3 Local Government Financial Management Grant (FMG)**

Opening balance

- -

Grants received

1 700 000 1 625 000

Conditions met - Operating

(1 700 000) (1 625 000)

Conditions met - Capital

- -

Conditions still to be met

- -

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**24,4 Municipal Systems Improvement Grant**

Opening balance	-	256 797
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Grants paid back to National Treasury	-	(256 797)
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**24,5 Municipal Infrastructure Grant (MIG)**

Opening balance	5 831 948	26 438
Grants received	10 067 000	17 337 000
Paid back to National Treasury	(302 897)	-
Conditions met - Operating	(503 350)	(569 500)
Conditions met - Capital	(15 090 790)	(10 961 990)
Grant expenditure to be recovered	<b>1 911</b>	<b>5 831 948</b>

The grant was used to upgrade infrastructure in previously disadvantaged areas.

**24,6 Housing Grants**

Opening balance	4 635 379	224 939
Grants received	5 315 480	5 699 508
Conditions met - Operating	(5 027 350)	(1 289 088)
Conditions met - Capital	-	-
Grant expenditure to be recovered	<b>4 923 509</b>	<b>4 635 379</b>

Housing grant was utilised for the development of erven and the erection of top structures.

**24,7 Other Grants**

Opening balance	1 037 243	3 355 846
Grants received	7 382 372	7 431 679
Conditions met - Operating	(5 514 416)	(6 422 192)
Conditions met - Capital	(2 400 375)	(3 280 368)
Grants paid back to National Treasury	(98 625)	(47 722)
Conditions still to be met	<b>406 198</b>	<b>1 037 243</b>

**24,8 Total Grants**

Opening balance	11 504 569	3 899 258
Grants received	51 956 852	57 282 187
Grants paid back to National Treasury	(401 522)	(339 757)
Conditions met - Operating	(40 287 116)	(35 094 760)
Conditions met - Capital	(17 491 166)	(14 242 358)
Conditions still to be met/(Grant expenditure to be recovered)	<b>5 281 617</b>	<b>11 504 569</b>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	5 281 617	11 504 569
Unpaid Conditional Government Grants and Receipts	-	-
	<b>5 281 617</b>	<b>11 504 569</b>

**25 SERVICE CHARGES**

Electricity	69 553 924	67 220 489
Water	13 659 840	14 686 139
Refuse removal	8 087 817	9 666 517
Sewerage and Sanitation Charges	13 430 206	16 319 281
	<b>104 731 586</b>	<b>107 892 427</b>
Less: Rebates	(15 092)	(7 473 226)
<b>Total Service Charges</b>	<b>104 716 495</b>	<b>100 419 201</b>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

## 26 OPERATIONAL REVENUE

Commission	-	32 594
Staff Recoveries	83 366	74 254
Discounts and Early Settlements	28	20 387
Incidental Cash Surpluses	7 714	3 508
Merchandising, Jobbing and Contracts	118 041	2 500
Insurance Refund	62 971	47 857
Breakages and Losses Recovered	2 972	4 254
Administrative Handling Fees	-	24 741
Sale of Property	18 990	-
<b>Total Other Income</b>	<b>294 081</b>	<b>210 096</b>

## 27 SALES OF GOODS AND RENDERING OF SERVICES

Advertisements	24 836	5 110
Building Plan Approval	627 626	637 578
Building Plan Clause Levy	-	5 737
Camping Fees	830 724	767 718
Cemetery and Burial	56 273	72 043
Development Charges	443 418	-
Encroachment Fees	860	440
Exempted Parking	420	678
Legal Fees	339 660	-
Photocopies and Faxes	31 163	24 609
Removal of Restrictions	270 479	367 935
Sale of Goods	87 354	122 030
Streets/Street Markets (Informal Traders)	-	20 682
Valuation Services	189 199	180 094
	<b>2 902 010</b>	<b>2 214 653</b>

## 28 EMPLOYEE RELATED COSTS

Basic Salaries and Wages	48 914 222	47 517 395
Bonuses	4 134 517	4 014 563
Contribution to provision - Long Service Awards	1 600 609	478 697
Current service cost	1 298 921	228 395
Interest Cost	227 290	221 485
Actuarial Gains and Losses	74 398	28 817
Contribution to provision - Post Retirement Medical	1 154 770	1 595 790
Current service cost	1 635 693	1 720 242
Interest Cost	2 961 476	2 675 556
Actuarial Gains and Losses	(3 442 399)	(2 800 008)
Housing Allowances	439 481	416 672
Medical Aid Contributions	5 202 996	3 850 241
Motor Vehicle Allowance	3 969 148	3 055 235
Other benefits and allowances	3 181 044	2 500 450
Overtime	3 294 827	3 103 470
Payments in lieu of leave	693 891	2 054 815
Pension and UIF Contributions	8 329 284	7 668 287
<b>Total Employee Related Costs</b>	<b>80 914 789</b>	<b>76 255 614</b>

### KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 7-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

### REMUNERATION OF KEY MANAGEMENT PERSONNEL

#### Remuneration of the Municipal Manager - Mr C Africa (01/07/2017-02/08/2017)

Annual Remuneration	125 638	1 279 441
Performance Bonus	123 250	180 869
Car Allowance	8 192	90 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 623	17 313
Cell phone allowance	1 092	12 000
<b>Total</b>	<b>259 795</b>	<b>1 579 623</b>

#### Remuneration of the Municipal Manager - Mr AM Groenewald (01/11/2017-30/06/2018)

Annual Remuneration	739 684	-
Performance Bonus	-	-
Car Allowance	24 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	20 844	-
Cell phone allowance	9 400	-
	<b>793 928</b>	<b>-</b>

**Remuneration of the Director Engineering Services - Mr F.P Erasmus**

Annual Remuneration	768 106	758 423
Performance Bonus	88 126	-
Travelling Allowance	120 000	120 000
Rural allowance	76 811	72 532
Contributions to UIF, Medical, Pension Funds and Bargaining Council	85 284	39 745
Cell phone allowance	11 000	9 600
<b>Total</b>	<b>1 149 328</b>	<b>1 000 301</b>

**Remuneration of the Director Community Services- KD Stuurman**

Annual Remuneration	752 757	703 986
Performance Bonus	94 322	79 096
Travelling Allowance	100 104	100 104
Rural allowance	79 050	60 197
Contributions to UIF, Medical, Pension Funds and Bargaining Council	207 469	186 766
Cell phone allowance	11 000	9 600
<b>Total</b>	<b>1 244 702</b>	<b>1 149 749</b>

**Remuneration of the Director Financial Services - Mr H Schlebusch**

Annual Remuneration	880 669	853 507
Acting Allowance	83 552	-
Performance Bonus	146 722	138 417
Car Allowance	58 988	58 988
Contributions to UIF, Medical, Pension Funds and Bargaining Council	228 853	212 859
Cell phone allowance	11 000	9 600
<b>Total</b>	<b>1 409 785</b>	<b>1 273 371</b>

**Remuneration of the Director Corporate Services - Mr D du Plessis**

Annual Remuneration	916 300	826 647
Performance bonus	146 722	138 417
Car Allowance	48 000	78 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	175 798	157 069
Cell phone allowance	11 000	9 600
<b>Total</b>	<b>1 297 820</b>	<b>1 209 734</b>

**29 REMUNERATION OF COUNCILLORS**

Executive Mayor allowance	789 653	726 996
Deputy Executive Mayor allowance	640 603	587 506
Speaker allowance	640 603	523 821
Mayoral Committee Members allowances	1 217 324	1 045 501
Councillors allowances	1 665 351	1 495 485
<b>Total Councillors' Remuneration</b>	<b>4 953 533</b>	<b>4 379 308</b>

***In-kind Benefits***

The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.

**30 IMPAIRMENT LOSS/(REVERSAL OF IMPAIRMENT LOSS) ON RECEIVABLES**

Trade Receivables from non- exchange transactions	(2 758 819)	(1 095 786)
Trade Receivables from exchange transactions	(1 653 414)	(345 113)
Traffic Fines	34 844 710	20 686 314
<b>Total Contribution to Debt impairment</b>	<b>30 432 477</b>	<b>19 255 415</b>

**31 BAD DEBTS WRITTEN-OFF**

Trade Receivables from non- exchange transactions	2 230 019	681 977
Trade Receivables from exchange transactions	2 109 197	2 681 725
	<b>4 339 215</b>	<b>3 363 702</b>

**32 DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	6 695 518	6 522 412
Investment Property	81 172	78 611
Intangible Assets	62 806	73 277
Landfill sites	634 241	2 452 191
	<b>7 473 736</b>	<b>9 126 490</b>

**33 IMPAIRMENT LOSS/(REVERSAL OF IMPAIRMENT LOSS) ON FIXED ASSETS**

Landfill sites	-	-
Property Plant & Equipment	-	115 654
Investment Properties	-	124 518
Heritage Assets	-	-
	<b>-</b>	<b>240 172</b>

**34 FINANCE CHARGES**

Long-term Borrowings	4 008 605	4 099 496
Landfill sites	2 976 894	2 077 648
<b>Total finance charges</b>	<b>6 985 499</b>	<b>6 177 145</b>

**35 BULK PURCHASES**

Electricity	51 602 061	50 442 322
<b>Total Bulk Purchases</b>	<b>51 602 061</b>	<b>50 442 322</b>

**36 TRANSFERS AND SUBSIDIES**

Swellendam Tourism	785 300	1 164 018
Lower Breede River Conservancy	330 000	320 000
Other	181 295	102 087
<b>Total Grants and Subsidies</b>	<b>1 296 595</b>	<b>1 586 105</b>



	2018 R	2017 R
<b>37 OPERATIONAL COSTS</b>		
Assets less than the Capitalisation Threshold	1 391	-
Advertising, Publicity and Marketing	287 205	301 457
Alien Vegetation Clearing	-	-
Bank Charges, Facility and Card Fees	886 871	834 714
Bargaining Council	-	19 107
Bursaries (Employees)	-	43 337
Cleaning Services	92 687	62 403
Commission	-	1 091 135
Communication	1 697 399	2 279 189
Courier and Delivery Services	-	6 714
Deeds	-	62 168
Entertainment	82 861	16 712
External Audit Fees	2 627 622	2 112 299
External Computer Service	498 506	903 266
Full Time Union Representative	62 122	40 445
Honoraria (Voluntarily Workers)	245	-
Hire Charges	938 782	875 665
Indigent Relief	60 000	94 223
Insurance Underwriting	801 501	507 756
Levies Paid - Water Resource Management Charges	165 879	-
Licences	6 698 064	284 560
Municipal Services	-	13 755
Printing, Publications and Books	33 950	37 504
Professional Bodies, Membership and Subscription	793 376	756 913
Registration Fees	1 182 112	238 792
Remuneration to Ward Committees	41 865	68 900
Servitudes and Land Surveys	27 126	-
Transport Provided as Part of Departmental Activities	-	14 200
Travel and Subsistence	544 662	647 967
Uniform and Protective Clothing	67 082	55 302
Wet Fuel	-	2 367 999
Workmen's Compensation Fund	472 553	422 533
<b>Total Operational Costs</b>	<b>18 063 662</b>	<b>14 159 015</b>

<b>38 CONTRACTED SERVICES</b>		
Consultants and Professional Services	2 814 771	5 425 188
Contractors	6 680 811	9 647 050
Outsourced Services	4 208 135	3 723 169
	<b>13 703 717</b>	<b>18 795 407</b>

<b>39 CORRECTION OF ERRORS IN TERMS OF GRAP 3</b>		
<b>Prior year adjustments due to non-compliance with accounting policy and errors</b>		
<b>39.1</b>	<p>(i) With the annual asset register control measure process, assets have been found which were not previously recognised. These assets are now for the first time recognised at fair value with the following entries: (Dt) Property Plant and Equipment-cost R3 376 875 (Cr) Accumulated Depreciation R661 318 - PPE (Cr) Accumulated Surplus -prior years R2 796 646 (Dt) Accumulated Surplus- current year (depreciation) R79 089.</p> <p>(ii) With the review of the property list to the deeds dump and the insurance register the following corrections were made to the investment property. These errors are now rectified retrospectively in terms of GRAP 3 with the following entries: (Dt) Investment property - Cost R570 794.24 (Cr) Accumulated Surplus - prior years - R570 794.24 (Cr) Accumulated depreciation Investment properties R5 676 (Dt) Accumulated Surplus - prior years - R5 046 and (Dt) Accumulated Surplus - current year R630.</p> <p>(iii) With the assets verification process it was noted that seven software MS Office 2013 packages was omitted from the intangible asset register and this was correct retrospectively with the following entries. (Dt) Intangible assets: Cost R14 490 (Cr) Accumulated surplus prior years R14 490 (Dt) Accumulated surplus prior years R4 951 (Dt) Accumulated surplus - current year R1 466 (Cr) Intangible assets: Accumulated amortisation R6 399.</p>	

The above note 39.1 representing the narratives of the following Corrections of Errors as set out from notes 39.2 to 39.6

<b>39.2 Accumulated Surplus</b>	<b>2017 R</b>	<b>2016 R</b>
Balance previously reported	243 654 214	228 880 571
Correction of error - (see note 39.1.(i))	2 875 735	2 796 646
Correction of error - (see note 39.1.(ii))	565 119	565 749
Correction of error - (see note 39.1.(iii))	8 091	9 539
<b>Restated balance 30 June 2016</b>	<b>247 103 163</b>	<b>232 252 505</b>

### 39,3 Property Plant and Equipment

Balance previously reported	275 204 067	267 126 742
Correction of error - (see note 39.1.(i)) cost	3 378 875	3 378 875
Correction of error - (see note 39.1.(i)) depreciation	(661 318)	(582 229)
<b>Restated balance 30 June 2016</b>	<b>277 921 626</b>	<b>269 923 388</b>

### 39,4 Investment Property

Balance previously reported	24 646 207	25 031 691
Correction of error - (see note 39.1.(ii)) cost	570 794	570 794
Correction of error - (see note 39.1.(ii)) depreciation	(5 676)	(5 046)
<b>Restated balance 30 June 2016</b>	<b>25 211 325</b>	<b>25 597 440</b>

### 39,5 Intangible Assets

	<b>R</b>	<b>R</b>
Balance previously reported	416 894	477 519
Correction of error - (see note 39.1.(iii)) cost	14 490	14 490
Correction of error - (see note 39.1.(iii)) depreciation	(6 399)	(4 951)
<b>Restated balance 30 June 2016</b>	<b>424 985</b>	<b>487 058</b>

2017

### 39,6 Statement of Performance

	<b>R</b>
Balance previously reported	14 789 023
Correction of error - (see note 39.1.(i))	(79 089)
Correction of error - (see note 39.1.(ii))	(630)
Correction of error - (see note 39.1.(iii))	(1 448)
	(81 168)
Effect on Depreciation and Amortisation	(81 168)
<b>Total</b>	<b>14 707 856</b>

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### RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

40,01 RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL PERFORMANCE	Now reported 2017 R	Previously reported 2017 R
<b>REVENUE</b>		
<b>Revenue from Non-exchange Transactions</b>		
<b>Taxation Revenue</b>		
Property taxes	32 603 168	32 603 168
<b>Transfer Revenue</b>		
Government Grants and Subsidies - Capital	14 242 358	14 242 358
Government Grants and Subsidies - Operating	35 030 460	35 084 759
Public Contributions and Donations	64 299	-
<b>Other Revenue</b>		
Actuarial Gains	-	2 800 008
Fines, Penalties and Forfeits	33 582 661	-
Fines	-	33 047 932
Interest Earned - non exchange transactions	151 346	-

<b>Revenue from Exchange Transactions</b>		
Service Charges	100 419 201	100 363 529
Rental from Fixed Assets	618 849	-
Rental of Facilities and Equipment	-	1 386 567
Interest Earned - external investments	3 535 777	3 535 777
Interest Earned - outstanding receivables	1 577 165	1 728 511
Licences and Permits	939 185	939 863
Agency Services	1 663 701	1 663 701
Other Income	-	2 256 753
Operational Revenue	210 096	-
Sales of Goods and Rendering of Services	2 214 653	-
Contributed Assets	-	85 810
Contributed Property, Plant and Equipment	85 810	-
Stock Adjustments	-	8 081
Gain on disposal of Property, Plant and Equipment	-	1 037 865
<b>Total Revenue</b>	<b>226 948 727</b>	<b>230 794 681</b>
<b>EXPENDITURE</b>		
Employee related costs	76 255 614	75 139 570
Remuneration of Councillors	4 379 308	4 379 308
Debt Impairment	-	19 255 415
Bad debts written-off	3 363 702	3 363 702
Depreciation and Amortisation	9 045 324	9 045 324
Impairments/Write-offs	-	240 172
Inventory Consumed	9 175 423	-
Interest, Dividends and Rent on Land	-	-
Repairs and Maintenance	(1)	12 736 838
Actuarial losses	-	28 817
Finance Charges	6 177 145	9 145 271
Bulk Purchases	50 442 322	50 442 322
Contracted Services	18 795 407	-
Grants and Subsidies	-	1 484 018
Operating Leases	329 022	-
Operational Costs	14 159 015	-
Transfers and Subsidies	1 586 105	-
General Expenses	-	30 743 223
Loss on disposal of Property, Plant and Equipment	-	1 676
<b>Total Expenditure</b>	<b>193 708 385</b>	<b>216 005 657</b>
<b>Operating Surplus</b>	<b>33 240 342</b>	<b>14 789 024</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8 081	-
Impairment Loss/(Reversal of Impairment Loss) on Receivables	(19 255 415)	-
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(240 172)	-
Gains/(Loss) on Sale of Fixed Assets	1 036 189	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>14 789 024</b>	<b>14 789 024</b>
<b>40,02 Government Grants and Subsidies - Operating</b>		
Balance previously reported		35 094 759
Transfer to Public Contributions and Donations		(64 299)
Restated balance 30/06/2017		<b>35 030 460</b>
<b>40,03 Public Contributions and Donations</b>		
Balance previously reported		-
Transfer from Government Grants and Subsidies-operating		64 299
Restated balance 30/06/2017		<b>64 299</b>
<b>40,04 Fines</b>		
Balance previously reported		33 047 932
Transfer to Fines, Penalties and Forfeits		(33 047 932)
Restated balance 30/06/2017		<b>-</b>
<b>40,05 Fines, Penalties and Forfeits</b>		
Balance previously reported		-
Transfer from Fines		33 047 932
Transfer from Other Income		544 729
Restated balance 30/06/2017		<b>33 592 661</b>

<b>40,06 Interest Earned - outstanding receivables</b>	
Balance previously reported	1 728 511
Transfer to Interest Earned-non exchange transactions	(151 346)
<b>Restated balance 30/06/2017</b>	<b>1 577 165</b>
<b>40,07 Interest Earned - non exchange transactions</b>	
Balance previously reported	-
Transfer from Interest Earned - outstanding receivables	151 346
<b>Restated balance 30/06/2017</b>	<b>151 346</b>
<b>40,08 Service Charges</b>	
Balance previously reported	100 363 529
Transfer from Other Income	55 671
<b>Restated balance 30/06/2017</b>	<b>100 419 201</b>
<b>40,09 Rental from Fixed Assets</b>	
Balance previously reported	-
Transfer from Rental of Facilities and Equipment	618 849
<b>Restated balance 30/06/2017</b>	<b>618 849</b>
<b>40,10 Rental of Facilities and Equipment</b>	
Balance previously reported	1 386 567
Transfer to Sale of Goods and Rendering of Services	(767 716)
Transfer to Rental from Fixed Assets	(618 849)
<b>Restated balance 30/06/2017</b>	<b>-</b>
<b>40,11 Licences and Permits</b>	
Balance previously reported	939 863
Transfer to Sale of Goods and Rendering of Services	(678)
<b>Restated balance 30/06/2017</b>	<b>939 185</b>
<b>40,12 Other Income</b>	
Balance previously reported	2 256 753
Transfer to Fines, Penalties and Forfeits	(544 729)
Transfer to Operational Revenue	(210 096)
Transfer to Service Charges	(55 671)
Transfer to Sales of Goods and Rendering of Services	(1 446 257)
<b>Restated balance 30/06/2017</b>	<b>-</b>
<b>Balance previously reported</b>	
Building Plans	637 578
Development Contribution	63 871
Hawkers Fees	20 682
Rezoning	367 935
Other	1 166 688
	<b>2 256 753</b>
<b>40,13 Operational Revenue</b>	
Balance previously reported	-
Transfer from Other Revenue	210 096
<b>Restated balance 30/06/2017</b>	<b>210 096</b>
<b>Reported now</b>	
Commission	32 594
Staff Recoveries	74 254
Discounts and Early Settlements	20 387
Incidental Cash Surpluses	3 508
Merchandising, Jobbing and Contracts	2 500
Insurance Refund	47 857
Breakages and Losses Recovered	4 254
Administrative Handling Fees	24 741
	<b>210 096</b>
<b>40,14 Sales of Goods and Rendering of Services</b>	
Balance previously reported	-
Transfer from Licences and Permits	678
Transfer from Rental of Facilities and Equipment	767 716
Transfer from Other Income	1 446 257
<b>Restated balance 30/06/2017</b>	<b>2 214 653</b>

<b>40,15 Contributed Assets</b>	
Balance previously reported	85 810
Transfer to Contributed Property, Plant and Equipment	(85 810)
Restated balance 30/06/2017	-
<b>40,16 Contributed Property, Plant and Equipment</b>	
Balance previously reported	-
Transfer to (Impairment Loss) Reversal of Impairment Loss on fix assets	85 810
Restated balance 30/06/2017	85 810
<b>40,17 Stock Adjustments</b>	
Balance previously reported	8 081
Transfer to Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(8 081)
Restated balance 30/06/2017	-
<b>40,18 Gain on disposal of Property, Plant and Equipment</b>	
Balance previously reported	1 037 865
Transfer to Gains/(Loss) on Sale of Fixed Assets	(1 037 865)
Restated balance 30/06/2017	-
<b>40,19 Loss on disposal of Property, Plant and Equipment</b>	
Balance previously reported	1 676
Transfer to Gains/(Loss) on Sale of Fixed Assets	(1 676)
Restated balance 30/06/2017	-
<b>40,20 Gains/(Loss) on Sale of Fixed Assets</b>	
Balance previously reported	-
Transfer from Gain on disposal of Property, Plant and Equipment	1 037 865
Transfer from Loss on disposal of Property, Plant and Equipment	(1 676)
Restated balance 30/06/2017	1 036 189
<b>40,21 Actuarial Gains</b>	
Balance previously reported	2 800 008
Transfer to Employee Related Costs	(2 800 008)
Restated balance 30/06/2017	-
<b>40,22 Employee related costs</b>	
Balance previously reported	75 139 570
Transfer from General Expenses	899 228
Transfer from Repairs and Maintenance	19 880
Transfer from Actuarial Gains	(2 800 008)
Transfer from Actuarial Losses	28 817
Transfer from Finance Charges	2 968 127
Restated balance 30/06/2017	76 255 614

<b>Previously reported</b>		
Employee related costs - Salaries and Wages		46 598 287
Employee related costs - Contributions for UIF, pensions and medical aids		11 518 528
Travel, motor car, accommodation, subsistence and other allowances		5 230 657
Housing benefits and allowances		416 672
Overtime Payments		3 103 470
Long Service Awards		157 309
Post Retirement Medical		1 720 242
Performance bonuses		806 588
Standby		325 027
Bonus		3 207 995
Staff Leave		2 054 815
		<b>75 139 570</b>
<b>Reporting now</b>		
Basic Salaries and Wages		47 517 395
Bonuses		4 014 563
Contribution to provision - Long Service Awards		478 697
Current service cost		228 395
Interest Cost		221 485
Actuarial Losses		28 817
Contribution to provision - Post Retirement Medical		1 595 790
Current service cost		1 720 242
Interest Cost		2 675 556
Actuarial Gains		(2 800 008)
Housing Allowances		418 672
Medical Aid Contributions		3 850 241
Motor Vehicle Allowance		3 055 235
Other benefits and allowances		2 500 450
Overtime		3 103 470
Payments in lieu of leave		2 054 815
Pension and UIF Contributions		7 668 287
		<b>76 255 614</b>
<b>40,23 Debt Impairment</b>		
<b>Balance previously reported</b>		<b>19 255 415</b>
Transfer to Impairment Loss/(Reversal of Impairment Loss) on Receivables		(19 255 415)
<b>Restated balance 30/06/2017</b>		<b>-</b>
<b>40,24 Impairment Loss/(Reversal of Impairment Loss) on Receivables</b>		
<b>Balance previously reported</b>		<b>-</b>
Transfer from Debt Impairment		(19 255 415)
<b>Restated balance 30/06/2017</b>		<b>(19 255 415)</b>
<b>40,25 General Expenses</b>		
<b>Balance previously reported</b>		<b>30 743 223</b>
Transfer to Contracted Services		(11 510 963)
Transfer to Employee Cost		(899 228)
Transfer to Inventory Consumed		(3 742 868)
Transfers and Subsidies		(102 088)
Transfer to Operational Costs		(14 159 014)
Transfer to Operating Leases		(329 022)
<b>Restated balance 30/06/2017</b>		<b>-</b>

<b>Previously reported</b>	
Accounting Support	2 360 602
Advertising	284 281
Audit Fees	2 165 763
Agency Fees	2 929 780
Bank Charges	711 472
Bargaining Council Levy	19 107
Community Development Fund	50 000
Contingency Fund	68 852
Contractor Fees	2 969 705
Collaborator	351 600
Donations	65 000
Entertainment	155 219
EPWP projects	56 518
Financial Management Support	236 842
Fruitless and Wasteful Expenditure	124 264
Fuel	45 034
GIS Licence	91 900
Ignite Maintenance	321 354
Insurance	500 085
Laboratory Services	228 651
Legal Fees	512 634
Laundry Services	62 163
Licences	143 385
Machinery Hire	795 302
Material & Stock	1 781 978
Meter Replacements	32 759
New Connections	52 833
Pest Control	16 919
Postage	720 329
Plot Cleansing	56 980
Refuse bags	485 527
Rentals	269 489
Risk Management	109 744
Security	631 337
Special Projects	739 877
Special Projects-Housing	1 259 220
Stationery and Printing	687 195
Storm water drainage	559 157
Subscription Fees	751 633
Subsistence and Travel	605 326
Task Implementing	87 001
Telephone	1 515 771
Training	1 003 478
Valuation Cost	84 663
Vehicle running cost	2 947 361
Water Monitoring Fees	188 036
Ward Committees	4 244
Ward Projects	77 342
Water Research contribution	169 215
Workmen's Compensation	422 533
Other	235 762
<b>Total General Expenses</b>	<b>30 743 223</b>

**40,26 Operational Costs**

<b>Balance previously reported</b>	-
Transfer from General Expenses	14 159 014
<b>Restated balance 30/06/2017</b>	<b>14 159 014</b>

**Reporting now**

Advertising, Publicity and Marketing	301 457
Bank Charges, Facility and Card Fees	834 714
Bargaining Council	19 107
Bursaries (Employees)	43 337
Cleaning Services	62 403
Commission	1 091 135
Communication	2 279 189
Courier and Delivery Services	6 714
Deeds	62 168
Entertainment	16 712
External Audit Fees	2 112 299
External Computer Service	903 266
Full Time Union Representative	40 445
Hire Charges	875 665
Indigent Relief	94 223
Insurance Underwriting	507 756
Licences	284 580
Municipal Services	13 755
Printing, Publications and Books	37 504
Professional Bodies, Membership and Subscription	756 913
Registration Fees	238 792
Remuneration to Ward Committees	68 900
Transport Provided as Part of Departmental Activities	14 200
Travel and Subsistence	647 967
Uniform and Protective Clothing	55 302
Wet Fuel	2 367 999
Workmen's Compensation Fund	422 533

**Total Operational Cost 30 June 2017****14 159 014****40,27 Actuarial losses**

<b>Balance previously reported</b>	<b>28 817</b>
Transfer to Employee Related Costs	(28 817)
<b>Restated balance 30/06/2017</b>	<b>-</b>

**40,28 Finance Charges**

<b>Balance previously reported</b>	<b>9 145 271</b>
Transfer to Employee Related Costs	(2 968 127)
<b>Restated balance 30/06/2017</b>	<b>6 177 145</b>

**40,29 Contracted Services**

<b>Balance previously reported</b>	<b>-</b>
Transfer from General Expenses	11 510 983
Transfer from Repairs and Maintenance	7 284 424
<b>Restated balance 30/06/2017</b>	<b>18 795 407</b>

**40,30 Inventory Consumed**

<b>Balance previously reported</b>	<b>-</b>
Transfer from General Expenses	3 742 888
Transfer from Repairs and Maintenance	5 432 535
<b>Restated balance 30/06/2017</b>	<b>9 175 423</b>

**40,31 Repairs and Maintenance**

<b>Balance previously reported</b>	<b>12 736 838</b>
Transfer to Employee Cost	(19 880)
Transfer to Inventory Consumed	(5 432 535)
Transfer to Contracted Services	(7 284 424)
<b>Restated balance 30/06/2017</b>	<b>-</b>

**40,32 Grants and Subsidies**

<b>Balance previously reported</b>	<b>1 484 018</b>
Transfer to Transfers and Subsidies	(1 484 018)
<b>Restated balance 30/06/2017</b>	<b>-</b>



<b>40,33 Transfers and Subsidies</b>	
Balance previously reported	-
Transfer from Grants and Subsidies	1 484 018
Transfer from General Expenditure	102 087
<b>Restated balance 30/06/2017</b>	<b>1 586 105</b>
<b>40,34 Operating Leases</b>	
Balance previously reported	-
Transfer from General Expenditure	329 022
<b>Restated balance 30/06/2017</b>	<b>329 022</b>
<b>40,35 Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value</b>	
Balance previously reported	-
Transfer from Stock Adjustments	8 081
<b>Restated balance 30/06/2017</b>	<b>8 081</b>
<b>40,36 Impairments/Write- offs</b>	
Balance previously reported	240 172
Transfer from (Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(240 172)
<b>Restated balance 30/06/2017</b>	<b>-</b>
<b>40,37 (Impairment Loss)/Reversal of Impairment Loss on Fixed Assets</b>	
Balance previously reported	-
Transfer from Impairments/Write- offs	(240 172)
<b>Restated balance 30/06/2017</b>	<b>(240 172)</b>
<b>RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL POSITION</b>	
<b>40,38 Payables from Exchange Transactions</b>	
Balance previously reported	13 597 765
Transfer to Consumer Deposits	(514 111)
Transfer to Receivables from exchange transactions	3 253
Transfer to Trade and Other Payables from exchange transactions	(13 086 907)
<b>Restated balance 30/06/2017</b>	<b>-</b>
<b>40,39 Trade and Other Payables from exchange transactions</b>	
Balance previously reported	-
Transfer from Payables from Exchange Transactions	13 086 907
<b>Restated balance 30/06/2017</b>	<b>13 086 907</b>
<b>40,40 Receivables from exchange transactions</b>	
Balance previously reported	8 369 575
Transfer from Receivables from non-exchange transactions	154 715
Transfer from Payables from Exchange Transactions	3 253
<b>Restated balance 30/06/2017</b>	<b>8 527 542</b>

**40,41 Receivables from non-exchange transactions**

Balance previously reported	16 520 523
Transfer to Receivables from exchange transactions	(154 715)
Restated balance 30/06/2017	<u>16 365 808</u>

**40,42 Consumer Deposits**

Balance previously reported	1 487 147
Transfer from Payables from Exchange Transactions	514 111
Restated balance 30/06/2017	<u>2 001 258</u>

	2018 R	2017 R
<b>41 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	10 075 352	14 707 856
<b>Adjustments for:</b>		
Depreciation	7 410 931	9 053 214
Amortisation of Intangible Assets	62 806	73 277
Contributed Property, Plant and Equipment	(31 456)	(85 810)
Gains/(Loss) on Sale of Fixed Assets	344 721	(1 036 189)
Impairment Loss/(Reversal of Impairment Loss) on Receivables	30 432 477	19 255 415
Bad debts written off	4 339 215	3 363 702
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(4 802)	(8 081)
Contribution to current employee benefits	827 284	1 992 610
Contribution from/to employee benefits	1 725 136	3 781 755
Contribution to Landfill site	2 976 894	2 077 648
Actuarial Gains/losses	-	(2 771 191)
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	-	240 172
Grants Received	51 555 330	56 942 430
Grant Expenditure	(57 778 282)	(49 337 118)
Operating lease income accrued	467	6 105
Operating Surplus/(Deficit) before changes in working capital	51 936 073	58 255 795
Changes in working capital	(29 914 838)	(26 698 083)
Increase/(Decrease) in Trade and Other Payables from Exchange Transactions	(2 152 344)	945 310
Increase/(Decrease) in Taxes	169 671	(284 221)
(Increase)/Decrease in Inventory	(450 282)	(218 894)
(Increase)/Decrease in Trade and other receivables	(27 481 883)	(27 140 278)
<b>Cash generated/(absorbed) by operations</b>	<b>22 021 235</b>	<b>31 557 712</b>
<b>42 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 22	6 171	6 171
Bank - Note 22	52 780 062	51 721 332
<b>Total cash and cash equivalents</b>	<b>52 786 233</b>	<b>51 727 503</b>
<b>43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 42	52 786 233	51 727 503
Less:	52 786 233	51 727 503
	(13 658 048)	(19 711 329)
Unspent Committed Conditional Grants - Note 10	(5 281 617)	(11 504 569)
VAT - Note 12	1 623 569	1 793 239
Capital Replacement Fund	(10 000 000)	(10 000 000)
<b>Resources available for other and working capital requirements</b>	<b>39 128 186</b>	<b>32 016 174</b>

#### 44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Borrowings - Note 3	35 017 803	35 509 647
Used to finance property, plant and equipment - at cost	(35 017 803)	(35 509 647)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.

#### 45 BUDGET COMPARISONS

	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
<b>45,1 Operational</b>				
<b>Revenue by source</b>				
Property taxes	35 122 006	35 171 500	(49 494)	-0,14%
Government Grants and Subsidies - Capital	17 491 166	19 773 000	(2 281 834)	-11,54%
Government Grants and Subsidies - Operating	40 287 116	43 117 665	(2 830 549)	-6,56%
Fines, Penalties and Forfeits	37 583 124	27 982 000	9 601 124	34,31%
Interest Earned - non exchange transactions	257 768	242 000	15 768	6,52%
Service Charges	104 716 495	104 361 960	354 535	0,34%
Rental from Fixed Assets	672 730	328 610	344 120	104,72%
Interest Earned - external investments	4 183 787	3 700 000	483 787	13,08%
Interest Earned - outstanding receivables	993 650	932 635	61 015	6,54%
Licences and Permits	1 269 872	911 090	358 782	39,38%
Agency Services	1 854 081	1 600 000	254 081	15,88%
Operational Revenue	294 081	293 475	606	0,21%
Sales of Goods and Rendering of Services	2 902 010	2 521 954	380 056	15,07%
Contributed Property, Plant and Equipment	31 456	-	31 456	100,00%
	<b>247 659 340</b>	<b>240 935 889</b>	<b>6 723 451</b>	<b>2,79%</b>
<b>Expenditure by nature</b>				
Employee related costs	80 914 789	89 995 932	(9 081 143)	-10,09%
Remuneration of Councillors	4 954 221	4 969 664	(15 443)	-0,31%
Bad debts written-off	4 339 215	4 550 512	(211 297)	-4,64%
Depreciation and Amortisation	7 473 737	10 290 185	(2 816 448)	-27,37%
Inventory Consumed	17 429 790	19 258 550	(1 828 760)	-9,50%
Finance Charges	6 985 499	4 000 000	2 985 499	74,64%
Bulk Purchases	51 602 061	53 410 743	(1 808 682)	-3,39%
Contracted Services	13 703 717	15 630 729	(1 927 012)	-12,33%
Operating Leases	48 305	53 500	(5 195)	-9,71%
Operational Costs	18 063 662	19 698 668	(1 635 006)	-8,30%
Transfers and Subsidies	1 296 595	1 732 900	(436 305)	-25,18%
	<b>206 811 592</b>	<b>223 591 383</b>	<b>(16 779 791)</b>	<b>7,50%</b>
<b>Operating Surplus</b>	<b>40 847 748</b>	<b>17 344 506</b>	<b>23 503 242</b>	<b>135,51%</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	4 802	-	4 802	100,00%
(Impairment Loss)/Reversal of Impairment Loss on Receivables	(30 432 477)	(20 000 200)	(10 432 277)	52,16%
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	-	-	-	0,00%
Gains/(Loss) on Sale of Fixed Assets	(344 721)	500 000	(844 721)	-168,94%
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>10 075 352</b>	<b>(2 155 694)</b>	<b>12 231 046</b>	<b>-567,38%</b>
	<b>2018 R (Actual)</b>	<b>2018 R (Budget)</b>	<b>2018 R (Variance)</b>	<b>2018 (%)</b>
<b>45,2 Expenditure by Vote</b>				
Corporate Services	30 101 638	33 254 463	(3 152 825)	-9%
Municipal Manager	4 161 160	5 836 517	(1 675 357)	-29%
Community Services	79 168 388	66 206 914	12 961 474	20%
Engineers Service	111 296 585	120 674 324	(9 387 739)	-8%
Finance Service	25 172 000	30 748 500	(5 576 500)	-18%
	<b>249 889 752</b>	<b>256 720 718</b>	<b>(6 830 966)</b>	<b>-3%</b>
Less Internal Services	(12 990 404,22)	(13 129 135)	3 311 022	
	<b>236 899 348</b>	<b>243 591 583</b>	<b>(3 519 944)</b>	

	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
<b>45,3 Capital expenditure by vote</b>				
Corporate Services	49 012	49 012	(0)	0%
Municipal Manager	-	-	-	0%
Community Services	6 374 951	9 208 563	(2 833 612)	-31%
Engineers Service	13 866 267	13 771 014	(104 747)	-1%
Finance Service	741 286	744 075	(2 789)	0%
	<b>20 831 516</b>	<b>23 772 664</b>	<b>(2 941 148)</b>	<b>-12%</b>
<b>46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>			<b>2018 R</b>	<b>2017 R</b>
<b>46,1 Unauthorised expenditure</b>				
Reconciliation of unauthorised expenditure:				
Opening balance			1 095 656	1 095 656
Unauthorised expenditure current year - capital				
Unauthorised expenditure current year - operating			12 961 474	-
Condoned by council			(1 095 656)	-
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			<b>12 961 474</b>	<b>1 095 656</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>			
<i>Unauthorised Expenditure</i>	<i>To be investigated</i>		12 961 474	1 095 656
			<b>12 961 474</b>	<b>1 095 656</b>
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)</b>				
<b>46,2 Fruitless and wasteful expenditure</b>				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance			-	2 304
Fruitless and wasteful expenditure current year			-	124 264
Written off by council			-	(126 568)
Transfer to receivables for recovery			-	-
Fruitless and wasteful expenditure awaiting further action			<b>-</b>	<b>-</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>			
<i>Changes to bank details</i>	<i>Written off</i>		-	124 264
<i>Assets insured which are previously written off</i>	<i>Written off</i>		-	2 304
			<b>-</b>	<b>126 568</b>
<b>46,3 Irregular expenditure</b>				
Reconciliation of irregular expenditure:				
Opening balance			85 165	-
Irregular expenditure current year			136 700	119 047
Investigated and written off by Council			(221 885)	(33 882)
Transfer to receivables for recovery			-	-
Irregular expenditure awaiting further action			<b>-</b>	<b>85 165</b>
Irregular expenditure awaiting condonement from National Treasury			<b>-</b>	<b>-</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>			
<i>Appointment of Town and Country Land Solutions</i>	<i>Written off</i>		41 705	-
<i>Vollex</i>	<i>Written off</i>		-	85 165
<i>T Sedgewick Holdings (Pty) LTD-non compliance with SCM</i>	<i>Written off</i>		94 995	-
			<b>136 700</b>	<b>85 165</b>
<b>46,4 Material Losses</b>				
<b>Water distribution losses</b>				
- Kilo litres disinfected/purified/purchased			1 611 931	1 719 003
- Kilo litres lost during distribution			346 953	400 357
- Percentage lost during distribution			21,52%	23%
<b>Electricity distribution losses</b>				
- Units purchased (Kwh)			56 834 607	55 466 538
- Units lost during distribution (Kwh)			5 493 016	5 519 609
- Percentage lost during distribution			9,66%	9,95%

	2018 R	2017 R
<b>47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>47,1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Opening balance	-	-
Council subscriptions	811 050	751 633
Amount paid - current year	(811 050)	(751 633)
Amount paid - previous years	-	-
<b>Balance unpaid (in dispute)</b>	<b>-</b>	<b>-</b>
	<b>2018 R</b>	<b>2017 R</b>
<b>47,2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year audit fee	2 694 535	2 165 763
External Audit - Auditor-General	2 627 622	2 112 299
Audit Committee	66 913	53 464
Amount paid - current year	(2 694 535)	(2 165 763)
Amount paid - previous year	-	-
<b>Balance unpaid (Included in creditors)</b>	<b>-</b>	<b>-</b>
<b>47,3 VAT - [MFMA 125 (1)(b)]</b>		
VAT balance at year end - Refer to note 12	1 623 569	1 793 239
<b>Closing balance - Receivable</b>	<b>1 623 569</b>	<b>1 793 239</b>
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
<b>47,4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	11 654 566	10 425 447
Amount paid - current year	(11 654 566)	(10 425 447)
<b>Balance unpaid (Included in creditors)</b>	<b>-</b>	<b>-</b>
<b>47,5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	20 956 234	18 717 839
Amount paid - current year	(20 956 234)	(18 717 839)
<b>Balance unpaid (Included in creditors)</b>	<b>-</b>	<b>-</b>
<b>47,6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>		
No Councillors had arrear accounts for more than 90 days as 30 June 2018.		
<b>47,7 Deviations from Supply Chain Management Regulations</b>		
Non-compliance summary		
<b>SCM regulation</b>	<b>Description</b>	
36(1)(a)(i)	Emergency/Urgent	197 903 88 990
36(1)(a)(ii)	Sole Supplier	246 181 73 381
36(1)(a)(v)	Impracticable/ Impossible	3 395 846 4 216 865
36(1)(b)	Minor breaches	15 011 13 552
		<b>3 854 942 4 392 778</b>
<b>Department:</b>		
Corporate Services	233 314	161 107
Community Services	144 271	181 833
Engineers Service	3 160 279	3 841 031
Municipal Manager	17 400	35 548
Finance Service	299 677	173 259
	<b>3 854 942</b>	<b>4 392 778</b>

<u>Per Quarter</u>	<u>&lt; R30 000</u>	<u>&gt;R30 000</u> <u>&lt;R200 000</u>	<u>&gt;R200 000</u>		
1	180 259	532 470	-	692 729	1 280 707
2	111 134	402 206	-	513 340	688 618
3	190 209	108 972	-	297 181	427 564
4	216 788	1 137 410	997 494	2 351 692	1 995 889
Total	<u>676 390</u>	<u>2 179 058</u>	<u>997 494</u>	<u>3 854 942</u>	<u>4 392 778</u>

**47,8 Awards above R2 000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy)**

<u>Company</u>	<u>Name</u>	<u>Relation</u>		
Heins Auto Elektries	J.de Jager	Brother	100 081	73 748
Lebazi Brothers	Cir Lebazi	Aunt	10 454	238 486
Fabrics Trekkers	L. Baransky	Father	2 761	-
Kemanz	JN. Du Tolt	Husband	415 821	634 870
Eldrid and Sons Trading	Cir du Plessis	Brother	-	5 535
			<u>529 117</u>	<u>952 638</u>

**47,9 Other non-compliance (MFMA 125(2)(e))**

Creditors payments were not made within 30 days as required by the MFMA.

**48 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

**2018**  
**R**

**2017**  
**R**

**15 376 076**

**16 797 414**

Total commitments consist out of the following:

Contract/Tender

Upgrading of Suurbraak Bulk Water Supply Scheme-Phase 1	SMT31/17/18	6 323 605	-
Upgrading Water Treatment Works-Suurbraak	T02/12-13WTW02	1 487 125	2 466 573
Upgrading Waste Water Treatment Works-Suurbraak	T02/12-13WTW02	370 521	1 139 798
Upgrading of Main Intake Substation	SMT34/17/18	95 409	-
Provision of Professional Services: Barrydale Bulk Water Reservoir	SMT14/15/16	1 661 451	2 008 902
Upgrading of gravel roads and Stormwater Infrastructure in Rallton(Phase 2)	SMT13/15/16	393 966	-
Upgrading of gravel roads and Stormwater Infrastructure in Rallton(Phase 2)	SMT17/17/18	2 982 280	-
Clubhouse & Required Upgrading at the Rallton Sports Grounds, Swellendam	SMT33/16/17	-	4 009 079
Clubhouse & Required Upgrading at the Rallton Sports Grounds, Swellendam	SMT02/12/13/SF0	-	284 130
Upgrading of Barrydale Bulkwater Supply	SMT23/16/17	-	6 888 932
Supply,Installation of 11 Kv Switchgear- Bethel Substation	SMT25/17/18	1 746 276	-
Construction of additions to Traffic Office -Swellendam	SMT23/17/18	335 445	-
		<u>15 376 076</u>	<u>16 797 414</u>

This expenditure will be financed from:

Own Funds

Government Grants

335 445

15 040 631

**15 376 076**

-

16 797 414

**16 797 414**

VAT is Included in the amounts

2018  
R2017  
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(150 042)	(145 889)
0.5% Decrease in interest rates	75 021	72 944

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 and 20 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 R
<b><u>Non-Exchange Receivables</u></b>				
Rates	0,57%	40 304	0,96%	137 248
Other debtors	5,36%	377 134	2,60%	372 378
Traffic Fines	94,07%	6 624 676	96,44%	13 812 622
	100,00%	7 042 114	100,00%	14 322 248

Exchange Receivables

Electricity	0%	-	0%	-
Water	35%	292 747	30%	228 339
Refuse	26%	219 418	26%	197 482
Sewerage	45%	370 263	40%	300 768
Other	-6%	(53 831)	4%	26 567
	100,00%	828 597	100%	753 156

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Exchange Receivables</u>				
Rates	10,20%	4 817 813	11%	6 471 327
Traffic Fines	89,80%	42 409 574	89%	52 001 819
	100,00%	47 227 486	100%	58 473 146
<u>Exchange Receivables</u>				
Electricity	15,38%	1 927 705	17%	2 594 839
Water	23,19%	2 906 813	24%	3 725 028
Refuse	17,25%	2 161 609	17%	2 617 493
Sewerage	28,02%	3 512 092	28%	4 327 819
Other	16,16%	2 028 076	16%	2 441 959
	100,00%	12 534 295	100,00%	15 708 935
Bad debts written off per debtor class:				
	2018 %	2018 R	2017 %	2017 R
<u>Non-Exchange Receivables</u>				
Rates	2,55%	110 817	20%	681 978
<u>Exchange Receivables</u>				
Electricity	3,38%	146 775	8,12%	273 151
Water	14,71%	638 401	13,32%	448 182
Refuse	11,52%	499 719	12,59%	423 494
Sewerage	17,09%	741 526	19,60%	659 200
Other	50,75%	2 201 977	26,09%	877 698
	100,00%	4 339 215	100,00%	3 363 702



The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2018 R	2017 R
Receivables from exchange transactions	8 129 003	8 527 543
Receivables from non-exchange transactions	9 474 539	16 365 808
Cash and Cash Equivalents	52 805 631	51 727 503
	<u>70 409 173</u>	<u>76 620 854</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2018</b>				
Long Term liabilities - Annuity Loans	5 558 339	21 880 988	16 314 786	10 217 861
Capital repayments	2 144 036	11 503 001	9 825 792	8 408 434
Interest	3 414 303	10 377 988	6 488 994	1 809 426
Long Term liabilities - Hire Purchases	566 175	1 132 350	-	-
Capital repayments	441 009	1 011 676	-	-
Interest	125 166	120 674	-	-
Long Term liabilities - Hire Purchases	639 618	1 315 330	-	-
Capital repayments	493 267	1 191 075	-	-
Interest	146 351	124 255	-	-
Provisions - Landfill sites	18 832 468	21 773 650	-	10 065 563
Capital repayments	17 764 088	17 237 412	-	2 626 926
Interest	1 068 399	4 536 238	-	7 438 637
Trade and Other Payables	6 247 102	-	-	-
Unspent conditional government grants and receipts	5 281 617	-	-	-
	<u>37 125 318</u>	<u>46 102 319</u>	<u>16 314 786</u>	<u>20 283 424</u>
<b>2017</b>				
Long Term liabilities - Annuity Loans	5 625 724	22 085 636	22 113 181	10 213 579
Capital repayments	2 027 391	10 011 084	13 675 578	8 405 469
Interest	3 598 333	12 054 552	8 437 603	1 808 110
Long Term liabilities - Finance Lease Liability	566 175	1 698 525	-	-
Capital repayments	402 694	1 452 685	-	-
Interest	163 481	245 840	-	-
Provisions - Landfill sites	17 181 911	18 068 509	-	11 731 507
Capital repayments	16 133 250	15 930 269	-	2 587 994
Interest	1 048 661	2 138 240	-	9 143 513
Trade and Other Payables	9 498 175	-	-	-
Unspent conditional government grants and receipts	11 504 569	-	-	-
	<u>44 376 554</u>	<u>41 832 670</u>	<u>22 113 181</u>	<u>21 945 086</u>
			<b>2018</b>	<b>2017</b>
			<b>R</b>	<b>R</b>

## 50 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

50,1	<u>Financial Assets</u>	<u>Classification</u>		
	<b>Receivables</b>			
	Receivables from exchange transactions	Financial instruments at amortised cost	8 129 003	8 527 543
	Receivables from non-exchange transactions	Financial instruments at amortised cost	374 128	372 379
	<b>Other Receivables</b>			
	Government subsidies and grants	Financial instruments at amortised cost	-	-
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial instruments at amortised cost	-	-
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial instruments at amortised cost	52 780 062	51 721 332
	Cash Floats and Advances	Financial instruments at amortised cost	6 171	6 171
			<u>61 289 365</u>	<u>60 627 425</u>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost		61 289 365	60 627 425
	<b>At amortised cost</b>		<u>61 289 365</u>	<u>60 627 425</u>

# **FINANCIAL INSTRUMENTS (CONTINUE)**

<b>50,2</b>	<b><u>Financial Liability</u></b>	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>			
	Annuity Loans	Financial instruments at amortised cost	29 737 227	31 626 877
	Capitalised Lease Liability	Financial instruments at amortised cost	1 191 066	-
	Hire Purchases	Financial instruments at amortised cost	1 011 198	1 452 685
	Financial Leases		-	-
	<b>Payables from exchange transactions</b>			
	Trade creditors	Financial instruments at amortised cost	6 247 102	9 498 175
	Accrued interest	Financial instruments at amortised cost	641 231	684 639
	Retentions	Financial instruments at amortised cost	755 925	1 181 375
	Other	Financial instruments at amortised cost	1 502 657	11 336
	<b>Other Payables</b>			
	Government Subsidies and Grants	Financial instruments at amortised cost	5 281 616	11 504 569
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	Financial instruments at amortised cost	2 144 036	2 027 391
	Capitalised Lease Liability		493 267	-
	Hire Purchases	Financial instruments at amortised cost	441 009	402 694
			<b>49 446 335</b>	<b>58 389 741</b>

## **SUMMARY OF FINANCIAL LIABILITY**

Financial instruments at amortised cost	<b>49 446 335</b>	<b>58 389 741</b>
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## **51 STATUTORY RECEIVABLES**

In accordance with principles of GRAP 108, Statutory Receivables of the municipality are classified as follows;

<b>Taxes</b>		
Vat receivable	1 623 569	1 793 239
<b>Receivables from non-exchange transactions</b>		
Property rates	2 475 735	2 257 355
Fines	6 624 676	13 812 622

## **52 EVENTS AFTER THE REPORTING DATE**

None

## **53 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

## **54 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

## **55 CONTINGENT LIABILITIES**

### **Guarantees held at First National Bank**

- Eskom	R2 000
- Department of Minerals and Energy, RSA	R20 000

### **Swellendam Municipality vs M Steenkamp - Case Number 1826/2014**

Defended litigation: Claim for wasted expenditure and counter claim for damages: Legal cost approximately R550 000.

Defended litigation: O. Donnell Family Trust claim for payment of assessment rates of R231 206.

**56 RELATED PARTIES**

**56,1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**56,2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

**56,3 Compensation of Councillors**

The compensation of Councillors is set out in note 29 to the Annual Financial Statements.

**56,4 Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

See note 47.8.

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

The following transactions were made :

**Key management**

CM Africa  
H Schlebusch  
D Du Plessis

2018	2018
Services and rates	Outstanding Balance
12 937	1 070
15 198	1 222
17 268	1 415
<b>45 403</b>	<b>3 706</b>

**Councillors**

Lambrechts  
Matthysen  
Du Plessis  
Koch  
Jonker-du Plessis  
Swart  
Pokwas  
Nortje  
Du Rand  
Libazi

2018	2018
Services and rates	Outstanding Balance
23 393	14 967
11 187	13 925
5 255	467
42 274	3 988
266	22
4 793	1 124
12 333	1 084
22 856	2 169
10 080	752
6 033	-
<b>138 570</b>	<b>38 498</b>

**APPENDIX A - Unaudited**  
**SWELLENDAM LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2017	Correction of error	Restated Balance 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2018
<b>ANNUITY LOANS</b>									
STREETS - DBSA	8,08%	61003251	2021	122 813	-	122 813	-	30 702	92 111
UPGRADING OF ELECTRICAL NETWORK-DBSA	8,53%	61003274	2021	473 673	-	473 673	-	105 260	368 413
INFRASTRUCTURE-DBSA	8,53%	61000017	2017	51 597	-	51 597	-	51 597	0
INFRASTRUCTURE- PHASE 2-DBSA	10,56%	61000149	2024	2 990 465	-	2 990 465	-	307 247	2 683 218
INFRASTRUCTURE- PHASE 3-DBSA	8,89%	61000371	2025	3 165 001	-	3 165 001	-	262 842	2 902 159
INFRASTRUCTURE-2007-DBSA	11,12%	61000744	2029	3 650 057	-	3 650 057	-	156 694	3 493 363
INFRASTRUCTURE-2008-DBSA	12,20%	61000846	2030	17 496 757	-	17 496 757	-	558 072	16 938 684
INFRASTRUCTURE -2015-ABSA	9,00%		2025	5 703 901	-	5 703 901	-	300 587	5 403 314
<b>Total Annuity Loans</b>				<b>33 654 264</b>	<b>-</b>	<b>33 654 264</b>		<b>1 773 002</b>	<b>31 881 263</b>
<b>HIRE PURCHASES</b>									
ABSA	8%		2021	1 855 380	-	1 855 380	-	403 173	1 452 206
<b>Total Hire Purchases</b>				<b>1 855 380</b>	<b>-</b>	<b>1 855 380</b>	<b>-</b>	<b>403 173</b>	<b>1 452 206</b>
<b>FINANCIAL LEASES</b>									
CENTRAFIN	10%			-	-	-	1 723 055	38 722	1 684 334
<b>Total Finance Leases</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>1 723 055</b>	<b>38 722</b>	<b>1 684 334</b>
<b>TOTAL LONGTERM LIABILITIES</b>				<b>35 509 644</b>	<b>-</b>	<b>35 509 644</b>	<b>1 723 055</b>	<b>2 214 897</b>	<b>35 017 803</b>

**APPENDIX B - Unaudited**  
**SWELLENDAAM LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**MUNICIPAL SUB VOTES CLASSIFICATION**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Budgeted Income	2018 Actual Income R	2018 Budgeted Expenditure	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
637 578	17 288	620 290	BUILDING CONTROL	548 470	627 626	53 516	26 490	601 136
-	-	-	BUDGET AND TREASURY OFFICE	-	-	1 526 597	822 153	(822 153)
815 826	1 169 431	(353 605)	CARAVAN PARK	1 023 097	1 233 211	1 802 411	2 092 754	(859 543)
46 727	80 256	(33 530)	CEMETERIES	54 000	56 273	115 705	102 591	(46 318)
113 197	194 280	(81 082)	COMMONAGE	1 375	780	338 028	261 909	(261 129)
1 396 870	5 910 208	(4 513 338)	COMMUNITY SERVICES	236 023	237 013	3 631 732	2 985 550	(2 748 537)
270 825	8 457 752	(8 186 927)	CORPORATE SERVICES	863 428	978 655	7 645 098	9 920 000	(8 941 345)
60 615 008	19 101 098	41 513 910	COUNCIL GENERAL	27 054 839	26 295 916	21 667 402	17 277 458	9 018 457
7 685	2 617 262	(2 609 577)	ELECTRICITY ADMIN	372 500	48 238	3 219 859	2 972 034	(2 923 796)
68 947 544	56 387 216	12 560 328	ELECTRICITY NETWORK	77 205 027	78 184 326	63 781 535	60 328 071	17 856 255
13 245 577	6 983 658	6 261 919	ENGINEERS SERVICES	17 255 653	17 698 973	7 102 703	6 353 050	11 345 923
7 987 904	21 316 940	(13 329 037)	FINANCIAL SERVICES	44 998 347	45 541 817	19 982 514	16 330 466	29 211 351
104 209	689 347	(585 138)	HALLS	70 000	90 203	911 480	789 897	(699 494)
-	-	-	HOUSING	9 931 379	5 027 350	7 089 768	6 587 387	(1 560 037)
-	-	-	HUMAN RESOURCES	-	-	3 031 924	2 787 564	(2 787 564)
-	-	-	INFORMATION TECHNOLOGY	-	-	2 470 412	2 227 494	(2 227 494)
-	-	-	INTERNAL AUDIT	126 239	126 239	1 291 384	951 126	(824 887)
78 097	78 657	(560)	IDP	-	-	305 200	288 889	(288 889)
323 127	365 966	(42 839)	IRRIGATION WATER	272 642	198 857	701 512	586 341	(387 484)
5 698 902	4 362 597	1 336 305	LIBRARY	4 727 000	4 877 709	5 284 391	4 722 168	(44 458)
-	-	-	LICENSING	-	-	4 882 344	4 642 692	(4 642 692)
55 545	41 169	14 376	LOCAL ECONOMIC DEVELOPMENT	-	-	12 807	12 530	(12 530)
-	-	-	MAIN ROADS	50 000	50 000	62 500	49 263	737
-	5 350 613	(5 350 613)	MUNICIPAL MANAGER	351 031	82 956	4 288 891	3 014 611	(2 931 655)
-	332 338	(332 338)	OFFICE BUILDINGS	211 978	211 978	584 840	495 337	(283 359)
-	6 237 961	(6 237 961)	PARKS	-	-	7 750 065	7 175 733	(7 175 733)
11 427	3 795	7 633	POUND	4 000	5 773	8 086	3 627	2 146
7 936 601	10 619 507	(2 682 906)	REFUSE	8 204 943	8 185 665	9 704 405	9 108 042	(922 377)
155 952	20 497	135 455	RENTED BUILDINGS	14 000	13 853	45 111	34 930	(21 077)
-	633 416	(633 416)	SEWERAGE ADMINISTRATION	13 777 797	13 759 778	5 053 050	3 528 994	10 230 784
12 462 754	2 924 619	9 538 135	SEWERAGE NETWORK	-	-	-	-	-
-	3 571 894	(3 571 894)	SEWERAGE PURIFICATION	500 182	428 905	7 896 561	7 304 460	(6 875 555)
4 242	211 785	(207 543)	SPORTS AND RECREATIONS	3 210	2 400	327 493	258 215	(255 815)
-	19 398	(19 398)	STORES	115 517	115 517	570 925	547 559	(432 042)
1 000	1 095 137	(1 094 137)	STORMWATER	28 000	28 408	5 008 607	4 713 276	(4 684 867)
-	1 646 989	(1 646 989)	STREET LIGHTS	-	-	1 848 234	1 645 041	(1 645 041)
6 871	11 142 074	(11 135 203)	STREETS	32 000	32 783	11 477 581	10 847 433	(10 814 650)
-	-	-	SUPPLY CHAIN MANAGEMENT	0	-	1 874 744	1 850 359	(1 850 359)
305 253	549 058	(243 805)	THUSONG MULTIPURPOSE CENTER	235 400	565 494	523 938	496 937	68 557
236 013	1 605 146	(1 369 133)	TOURISM	-	-	1 184 508	810 200	(810 200)
368 545	2 433 070	(2 064 525)	TOWN PLANNING	176 337	270 479	3 550 419	2 615 780	(2 345 301)
35 627 730	30 017 999	5 609 731	TRAFFIC AND LICENSING	30 441 090	40 571 437	24 175 096	40 202 996	368 440
-	1 174	(1 174)	WATER DAMS	345 364	483 576	255 242	225 511	258 065
13 319 293	3 454 934	9 864 360	WATER NETWORK	14 988 792	14 062 080	5 981 636	4 672 725	9 389 355
6 298	5 598 449	(5 592 151)	WATER PURIFICATION	345 364	415 558	6 561 549	6 531 481	(6 115 923)
-	218 369	(218 369)	WATER WORKS	-	-	-	-	-
-	617 399	(617 399)	WORKSHOP FLEET	-	-	1 138 915	1 033 550	(1 033 550)
230 786 600	216 078 743	14 707 856	<b>TOTAL</b>	<b>254 565 024</b>	<b>260 309 825</b>	<b>256 720 718</b>	<b>250 234 473</b>	<b>10 075 352</b>
			INTERNAL CHARGES	(13 129 135)	(12 990 404)	(13 129 135)	(12 990 404)	-

**APPENDIX C - Unaudited**  
**SWELLENHAM LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2016 Budgeted Income	2018 Actual Income R	2016 Budgeted Expenditure	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
8 367 787	12 760 898	(4 393 111)	COMMUNITY AND SOCIAL SERVICES	6 345 520	6 859 902	12 269 657	11 189 697	(4 329 795)
68 955 229	60 651 467	8 303 762	ELECTRICITY	77 577 527	78 232 564	67 001 394	63 300 105	14 932 459
60 615 008	24 451 711	36 163 298	EXECUTIVE AND COUNCIL	27 405 870	26 378 872	25 956 293	20 292 069	6 086 803
8 527 878	30 958 604	(22 430 726)	FINANCE AND ADMINISTRATION	46 204 645	46 882 601	39 209 108	36 311 322	10 551 279
-	-	-	HOUSING	9 931 379	5 027 350	7 089 768	6 587 387	(1 560 037)
-	-	-	INTERNAL AUDIT	126 239	126 239	1 291 384	951 126	(824 887)
236 013	1 605 146	(1 369 133)	OTHER	-	-	6 066 852	5 452 892	(5 452 892)
1 139 765	2 570 184	(1 430 419)	PLANNING AND DEVELOPMENT	724 807	898 105	3 921 942	2 943 689	(2 045 584)
48 891 605	48 147 525	744 080	ROAD TRANSPORT	47 782 743	58 358 965	44 674 200	59 101 410	(742 444)
4 242	6 449 746	(6 445 504)	SPORT AND RECREATION	3 210	2 400	8 077 558	7 433 948	(7 431 548)
7 936 601	10 619 507	(2 682 906)	WASTE MANAGEMENT	8 204 943	8 185 665	9 704 405	9 108 042	(922 377)
12 463 754	8 225 066	4 238 688	WASTE WATER MANAGEMENT	14 305 979	14 217 091	17 958 218	15 546 729	(1 329 639)
13 648 718	9 638 891	4 009 827	WATER MANAGEMENT	15 952 162	15 160 071	13 499 939	12 016 057	3 144 014
<b>230 786 600</b>	<b>216 078 743</b>	<b>14 707 856</b>	<b>Total</b>	<b>254 565 024</b>	<b>260 309 825</b>	<b>256 720 718</b>	<b>250 234 473</b>	<b>10 075 352</b>
			INTERNAL CHARGES	(13 129 135)	(12 990 404)	(13 129 135)	(12 990 404)	-
				<b>241 435 889</b>	<b>247 319 421</b>	<b>243 591 583</b>	<b>237 244 069</b>	<b>10 075 352</b>

APPENDIX D - Unaudited  
SWELLENHAM LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2017	Correction of error	Balance 1 JULY 2017	Grants Received	Grants Re-paid and transferred	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2018
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>								
	R	R	R	R	R	R	R	R
<b>National Government Grants</b>								
Equitable Share	-	-	-	26 201 000	-	26 201 000	-	-
Local Government Financial Management Grant	-	-	-	1 700 000	-	1 700 000	-	-
Municipal Infrastructure Grant	5 831 948	-	5 831 948	10 067 000	302 897	503 350	15 090 790	1 911
EPWP	-	-	-	1 291 000	-	1 291 000	-	-
JNEG	318 329	-	318 329	2 000 000	-	-	2 317 963	366
<b>Total National Government Grants</b>	<b>6 150 277</b>	<b>-</b>	<b>6 150 277</b>	<b>41 259 000</b>	<b>302 897</b>	<b>29 695 350</b>	<b>17 408 753</b>	<b>2 277</b>
<b>Provincial Government Grants</b>								
Social Plan Fund	8 847	-	8 847	-	-	-	-	8 847
Economic Development Plan	12 000	-	12 000	-	-	-	-	12 000
Multi Purpose Sentrum	12 810	-	12 810	-	-	-	-	12 810
Library Services-conditional grant	-	-	-	-	-	-	-	-
Emergency Housing - Malaga's	5 422	-	5 422	-	-	-	-	5 422
Human Settlement Development Grant	4 835 379	-	4 835 379	5 315 480	-	5 027 350	-	4 923 509
Municipal Replacement Fund	-	-	-	4 675 000	-	4 622 961	-	52 039
Seta	254 877	-	254 877	141 372	-	368 913	-	27 336
Financial Management Support Grant	-	-	-	330 000	-	330 000	-	-
Prov IDP Grant	61 904	-	61 904	-	61 904	-	-	-
Municipal Infrastructure Support Grant	21 566	-	21 566	-	21 566	-	-	-
Internship Grant	45 031	-	45 031	66 000	-	39 866	-	71 165
Thusong Service Centre Grant	15 155	-	15 155	-	15 155	-	-	-
Municipal Infrastructure support	-	-	-	-	-	-	-	-
Main Road Subsidy	4 630	-	4 630	50 000	-	50 000	-	4 630
Capacity Building Grant	-	-	-	120 000	-	43 090	-	76 910
<b>Total Provincial Government Grants</b>	<b>5 077 621</b>	<b>-</b>	<b>5 077 621</b>	<b>10 697 852</b>	<b>98 625</b>	<b>10 482 180</b>	<b>-</b>	<b>5 194 668</b>
<b>Other Grant Providers</b>								
Vegetable Project - Barrydale	81 723	-	81 723	-	-	-	-	81 723
Masabanbane Projects	2 950	-	2 950	-	-	-	-	2 950
Wesgro	191 999	-	191 999	-	-	109 587	82 412	-
<b>Total Other Grant Providers</b>	<b>276 672</b>	<b>-</b>	<b>276 672</b>	<b>-</b>	<b>-</b>	<b>109 587</b>	<b>82 412</b>	<b>84 673</b>
<b>Total</b>	<b>11 504 569</b>	<b>-</b>	<b>11 504 570</b>	<b>51 956 852</b>	<b>401 522</b>	<b>40 287 116</b>	<b>17 491 166</b>	<b>5 281 617</b>